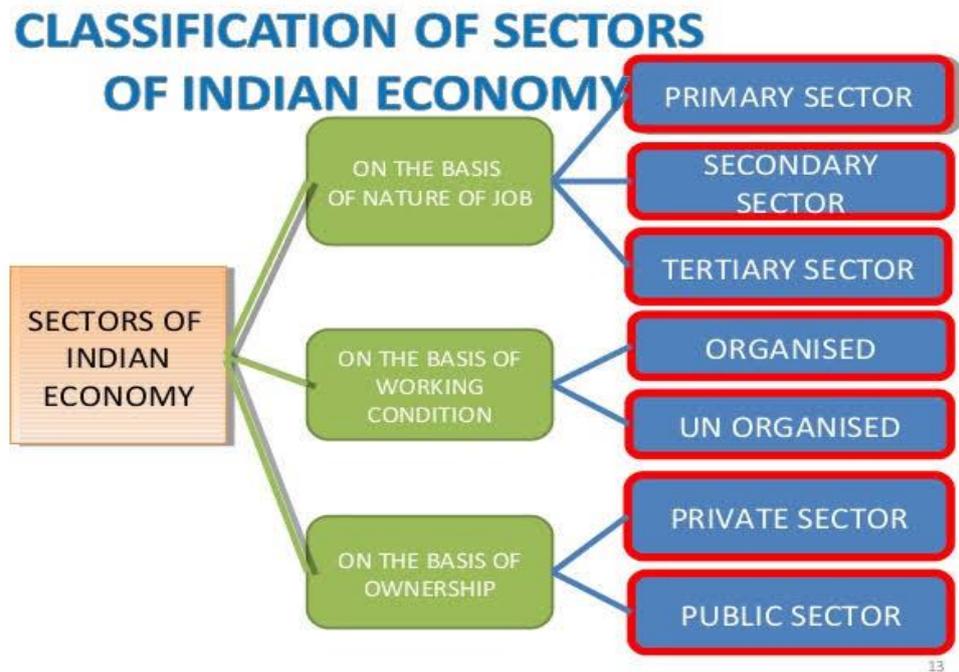


**SEMESTER IV**  
**INDIAN ECONOMY (UG)**  
**UNIT- III(B)**  
**Dr. ANTARA DHAR**  
**LECTURE 1**



**Role of Public Sector**

The main contribution of Public sector to the country's economy may be described as follows:

*1) Public sector and capital formation:*

At the time of independence, there existed serious gaps in the industrial structure of the country, particularly in the fields of heavy industries such as steel, heavy machine tools, exploration and refining of oil, heavy electrical, defence equipment etc. Public sector has helped to fill up these gaps. The role of this sector in collecting savings and investing them during the planning era has been

very important. Public sector has actually widened the industrial base of the country.

2) *Development of infrastructure:*

The primary condition of economic development in any underdeveloped country is that the infrastructure should develop at a rapid pace. In India, public sector has enabled the economy to develop a strong infrastructure for the economic growth. The private sector also has benefited immensely from the investment (such as development of transportation and communication, fuel and energy, basic and heavy industry etc.) undertaken by the public sector.

3) *Employment:*

Public sector has created millions of jobs to tackle the unemployment problem in the country. This sector accounts for about two-third of the total employment in the organised industrial sector in India. Govt. of India and State government are making contribution to employment generation both directly and indirectly. Indirect employment generation is through public investment in anti-unemployment programme.

4) *Balanced regional development:*

Development of all the region in the country is one of the main objectives of public sector in India. This sector has located their plants in backward parts of the country. Steel plants of Bhilai, Rourkela and Durgapur are few examples of the development of backward regions by public sector. It was believed that the setting up of large scale public sector units in the backward regions would unleash a propulsive mechanism in them and cause economic development of the hinterland.

5) *Export promotion:*

Some public enterprises have done much to promote India's exports such as The State Trading Corporation, Hindustan Steel Ltd., The Minerals and Metals Trading Corporation etc.

6) *Import substitution:*

The Hindustan Antibiotics Ltd., Oil and Natural Gas Commission, Indian oil Corporation, Bharat Electronics Ltd., etc. have saved foreign exchange by way of import substitution.

7) *Research and development:*

Many public enterprises have taken research and development in a big way. Through the development of technological skill public enterprises have reduced dependence on foreign knowhow.

8) *Reducing inequalities:*

Public sector can reduce inequalities in the economy, for instance profit of Public sector can be used directly on the welfare of the poor, this sector can supply materials to small industries at low prices, can provide better wages to the lower staff as compared to the private sector etc.

Despite their impressive role, public enterprises in India suffer from several problems such as poor project planning, over capitalization, excessive overheads, underutilisation of capacity etc.