

International Multidisciplinary
Research Journal

*Indian Streams
Research Journal*

Executive Editor
Ashok Yakkaldevi

Editor-in-Chief
H.N.Jagtap

Welcome to ISRJ

RNI MAHMUL/2011/38595

ISSN No.2230-7850

Indian Streams Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

International Advisory Board

Flávio de São Pedro Filho Federal University of Rondonia, Brazil	Mohammad Hailat Dept. of Mathematical Sciences, University of South Carolina Aiken	Hasan Baktir English Language and Literature Department, Kayseri
Kamani Perera Regional Center For Strategic Studies, Sri Lanka	Abdullah Sabbagh Engineering Studies, Sydney	Ghayoor Abbas Chotana Dept of Chemistry, Lahore University of Management Sciences[PK]
Janaki Sinnasamy Librarian, University of Malaya	Ecaterina Patrascu Spiru Haret University, Bucharest	Anna Maria Constantinovici AL. I. Cuza University, Romania
Romona Mihaila Spiru Haret University, Romania	Loredana Bosca Spiru Haret University, Romania	Ilie Pinteau, Spiru Haret University, Romania
Delia Serbescu Spiru Haret University, Bucharest, Romania	Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	Xiaohua Yang PhD, USA
Anurag Misra DBS College, Kanpur	George - Calin SERITAN Faculty of Philosophy and Socio-Political Sciences Al. I. Cuza University, IasiMore
Titus PopPhD, Partium Christian University, Oradea, Romania		

Editorial Board

Pratap Vyamktrao Naikwade ASP College Devrukh, Ratnagiri, MS India	Iresh Swami Ex - VC. Solapur University, Solapur	Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur
R. R. Patil Head Geology Department Solapur University, Solapur	N.S. Dhaygude Ex. Prin. Dayanand College, Solapur	R. R. Yalikal Director Management Institute, Solapur
Rama Bhosale Prin. and Jt. Director Higher Education, Panvel	Narendra Kadu Jt. Director Higher Education, Pune	Umesh Rajderkar Head Humanities & Social Science YCMOU, Nashik
Salve R. N. Department of Sociology, Shivaji University, Kolhapur	K. M. Bhandarkar Praful Patel College of Education, Gondia	S. R. Pandya Head Education Dept. Mumbai University, Mumbai
Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai	G. P. Patankar S. D. M. Degree College, Honavar, Karnataka	Alka Darshan Shrivastava Shaskiya Snatkottar Mahavidyalaya, Dhar
Chakane Sanjay Dnyaneshwar Arts, Science & Commerce College, Indapur, Pune	Maj. S. Bakhtiar Choudhary Director, Hyderabad AP India.	Rahul Shriram Sudke Devi Ahilya Vishwavidyalaya, Indore
Awadhesh Kumar Shirotriya Secretary, Play India Play, Meerut (U.P.)	S. Parvathi Devi Ph.D.-University of Allahabad	S.KANNAN Annamalai University, TN
	Sonal Singh, Vikram University, Ujjain	Satish Kumar Kalhotra Maulana Azad National Urdu University



ROLE OF CENTRAL PUBLIC SECTOR ENTERPRISES TOWARDS INDIAN ECONOMY: AN OVERVIEW



Budheshwar Prasad Singhraul

Assistant Professor, Department of Commerce, Guru Ghasidas Vishwavidyalaya,
Bilaspur (C.G.)



Co - Author Details :

Vivek Sharma

Assistant Professor, Department of Commerce, Guru Ghasidas Vishwavidyalaya,
Bilaspur (C.G.)



ABSTRACT

At the time of independence the country was facing many problems like inequalities in income, low levels of employment, regional imbalances in economic development and lack of trained manpower. In this view the public sector in India was set up with the objective of achieving inclusive growth.

The main object of this paper is to present a picture of the public sector enterprises in India based on the secondary literature available. Different issues related



to the performance of the public sector enterprises is discussed on the backdrop of their contribution to Indian economy. The paper helps in creating an understanding of the role played by public sector enterprises in the economic development of the country.

KEYWORDS : CPSE, GOI, DPE, Economic Development.

1. INTRODUCTION:

Public sector can be described as the part of an economy that is operated for whole benefit of economy. The public sector has more resources and its disposal and carries out the projects with the public money. The main motive of public sector enterprises is to seek the well-being of the country and to help the citizens in the economic development. In furthermore Public sector enterprises provide higher economic growth, self-sufficiency in production of goods and services, long term equilibrium in balance of payments and low and stable prices.

The CPSEs play a significant and critical role in the Indian economy in the way of contribution through turnover towards GDP of nation, Contribution towards central exchequer, Contribution in foreign exchange earning through export, employment generation and market capitalization.

2. HISTORICAL BACKGROUND OF PUBLIC SECTOR-

Historically, CPSEs assume significant importance to India's economy, both in pre and post independence period. At that time Indian economy was predominantly an agrarian economy with a weak industrial base, low level of savings, inadequate investments and infrastructure facilities and the country was facing many problems like inequalities in income, low levels of employment, regional imbalances in economic development and lack of trained manpower.

In view of this type of economy a roadmap was drawn up for the development of Public Sector as an instrument for self-reliant economic growth. This led to the passage of Industrial Policy Resolution of 1948 and followed by Industrial Policy Resolution of 1956. The Planning Commission set up in 1950 just after independence, set out the following for long term objectives of planning which necessitated the need of public sector further more:

- (i) To increase production to the maximum possible extent so as to achieve higher level of national and per capita income.
- (ii) To achieve full employment.
- (iii) To reduce inequalities of income and wealth.
- (iv) To set up a socialist society based on equality and justice and absence of exploitation.

While at the time of the First Five Year Plan there were only five Central Public Sector Enterprises (CPSEs) with a total investment of 29.00 crore, have increased to 260 CPSEs (excluding 7 Insurance Companies) with a total investment of 7, 29,228 crore as on 31st March, 2012.

In present Central Public sector enterprises are in different sector namely (i) Agriculture, (ii) Mining, (iii) Manufacturing, (iv) Electricity and (v) Services etc.. The key industries where CPSEs have significant share include that are (i) Coal and Crude Oil in the mining sector, (ii) Petroleum (Refinery and Marketing) in the manufacturing / processing sector, (iii) Power Generation in the electricity sector and (iv) Telecommunications in the services sector.

3. REVIEW OF LITERATURE

Prior to Independence, there were few 'Public Sector' Enterprises in the country including the Railways, the Posts and Telegraphs, the Port Trusts, the Ordnance Factories, All India Radio and other few enterprises like the Government Salt Factories, Quinine Factories, etc. which were departmentally managed. (Narain, 1994)¹

According to Minhas (1974)², securing rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power, and creation of the values and attitudes of a free and equal society have been among the objectives of all the plans of Indian government. Agriculture & other activities of the economy were the two limbs of Indian economy which was characterised by central planning for development and minimum of foreign participation.

Trivedi, P (1986)³ stressed in his article that private enterprises lead inequalities in the distribution of wealth which are not desirable on social grounds and also on economic grounds to the extent they are result of unearned incomes.

P.I. Reddy (1994)⁴ studied about performance appraisal of through value added approach which express that Public sector enterprises have been playing a dominant and unique role in industrial growth and development of Indian economy. In order to dismantle the accumulated problems of unemployment, disparities of rural and urban, inter-regional and inter-class disparities and

technological backwardness and to set up a socialistic pattern of society in the country, establishment of public enterprises have been conceived.

According to Ruddar Dut, K.P.M. Sundharam (2009)⁵, There was a widespread belief that without increasing the role of the state it was not possible either to accelerate the process of growth or to create an industrial base for sustained economic development of the country.

4. RESEARCH METHODOLOGY-

The aspects related with research methodology adopted in the paper are as follows:

A. Data collection:

In order to present an overview of contribution of CPSEs towards GDP of nation, contribution in foreign exchange earning, employment, contribution to central exchequer and market capitalisation, relevant websites and publications have been gone through. Data compiled by various source of secondary data like as Department of Public Enterprises Survey and Economic Survey, GOI.

B. Analysis:

To analyze the role of Central Public Enterprises in Indian Economy the trend is shown of the past years and growth rate is calculated in the view of turnover through CPSEs, export through CPSEs and average per capita income of employees of CPSEs to present change year by year.

5. CENTRAL PUBLIC SECTOR AND ECONOMY: -

CPSEs play a vital role in a developing economy in different ways which may be described according to following points-

5.1 Contribution towards GDP- CPSEs contributes a vital role towards GDP of nation which is shown in table-1. In this table gross turnover/revenue through CPSEs are given which compared with the GDP of country as percentage.

Table-1
Contribution towards GDP
(In Crore)

Year	Turnover	Growth	GDP At Market price	Percentage in GDP
2006-07	964410	-	3953276	24.40
2007-08	1094484	13.49	4582086	23.89
2008-09	1263405	15.43	5303566	23.82
2009-10	1235060	-2.24	6108903	20.22
2010-11	1498018	21.29	7266967	20.61
2011-12	1841927	22.96	8353495	22.05

Source- 1. DPE Survey 2008-09, 2009-10 and 2011-12
2. Economic Survey 2012-13

As per the above table total turnover/gross revenue from operation of all CPSEs during showing increase during past years except year 2009-10 which shows a decrease of -2.24% over the previous year 2008-09.

The turnover of 2011-12 stood at 18, 41,927crore compared to 14, 98,018crore in the previous year showing highest increase of 22.96% during past years. The turnover of CPSEs have increased from Rs. 9.64 lakh crores in FY 2006-07 to Rs.18.41 lakh crores in FY -2011-12. Consequently, in terms of turnover, the contribution of CPSEs to the GDP has ranged between 20%- 24% during the period.

5.2 Contribution to Central Exchequer - CPSEs contribute to the Central Exchequer by way of dividend payment, interest on government loans and payment of taxes & duties. CPSEs contribute to the Central Exchequer by way of dividend payment, interest on government loans and payment of taxes & duties. There was, however a significant increase in the total contribution to Central Exchequer during the year, which increased from Rs. 1,48,783 crores in 2006-07 to Rs. 1,60,800 crores in 2011-12. Contribution of CPEs towards central exchequer during the past is presented in table-2.

Table-2
Contribution to Central Exchequer
(In Crore)

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Dividend & Interest	20942.51	20172.50	19946.15	20298.03	22137.58	28787.07
Excise Duty	64022.87	68932.20	63250.19	52641.50	57755.25	61165.14
Custom Duty	11045.37	13385.59	8702.19	6903.16	19958.12	11518.43
Corporate Tax	32325.55	40670.64	35395.41	38155.49	40324.23	44358.47
Dividend Tax	3867.33	4434.41	4210.39	9524.65	7477.39	6093.33
Central Sales Tax	2698.34		2562.02	2664.62	2294.71	2234.09
Service Tax					2823.39	3249.71
Other Duties & Taxes	13881.29	15757.59	17661.69	9642.41	3980.27	3394.57
Total	148783.26	165993.77	151728.04	139829.89	156750.94	160800.81

Source- 1. DPE Survey 2008-09, 2009-10 and 2011-12
2. Economic Survey 2012-13

After the study of table-2 we may say that CPSEs have contributed significantly to the Central exchequer by way of payment of taxes (direct and indirect), duties, dividend payment and interest on Government loans. As per above table contribution of excise duty accounted the highest contribution towards total contribution during past years later on corporate tax and contributed by payments towards dividend and interest.

5.3 Contribution in Foreign Exchange Earning- The contribution of CPSEs towards foreign exchange earnings is shown in table-3 as the percentage of export through CPSEs to total export of country.

Table-3
Export through CPSEs

(In Crore)

Year	Total Export	Export through CPSEs	Percentage in Total Export
2006-07	571779	65620	11.48
2007-08	655864	67678	10.32
2008-09	840755	74184	8.82
2009-10	845534	77745	9.19
2010-11	1142922	91774	8.03
2011-12	1465959	124492	8.49

Source- 1. DPE Survey 2008-09, 2009-10 and 2011-12
2. Economic Survey 2012-13

As per above table CPSEs have contributed significantly to overall foreign exchange earning of country through exports of goods and services (royalty, know-how, professional and consultancy fees) with average contribution 9.38% in last six years.

Table-4
Growth Rate of Foreign Exchange earning

Year	Foreign Exchange Earning	Growth
2006-07	65620	-
2007-08	67678	3.136239
2008-09	74184	9.613168
2009-10	77745	4.800226
2010-11	91744	18.04489
2011-12	124492	35.65062

Source- 1. DPE Survey 2008-09, 2009-10 and 2011-12
2. Economic Survey 2012-13

Table-3 shows growth rate of foreign exchange earnings through exports of goods and services during the past years. As per this table foreign exchange earnings during the year 2011-12 is increased to 1, 24, 492 crore from 91, 774 crore in 2010-11 showing a highest growth of 35.65%.

5.4 Employment Generation- The CPSEs have thus a highly skilled workforce, which is one of their basic strengths. The CPSEs provide lifetime employment to their employees. The details of employment in CPSEs and contribution to total employee strength in organized sector is shown in table-5.

Table-5
Employees Strength

Year	Employees of CPSEs	Employees of Organized Sector(Public & Private)	% Contribution To Employee Strength In Organized Sector
2006-07	16.14	272.76	5.91729
2007-08	15.66	275.49	5.684417
2008-09	15.35	281.72	5.448672
2009-10	14.90	287.08	5.190191
2010-11	14.40	289.99	4.965688

Source- 1. DPE Survey 2008-09, 2009-10 and 2011-12
2. Economic Survey 2012-13

Table -5 shows that CPSEs have made significant contribution towards employment generation in the organized sector, although there has been a steady decline over the years. During FY 2006-07, CPSEs employed 16.14 lakh people (excluding casual workers and contract labours) accounting for around 5.92% of the total employment in the organized sector. As on 31.3.2012, the 260 CPSEs employed over 13.98 lakh people (excluding casual workers). The details of employment in CPSEs and per capita emoluments are shown in Table -6

Table-6
Employment and Average Annual Emoluments

Year	Employees of PSEs (In Lakh)	Avg. per capita Emoluments (In Crore)	Percentage of Growth
2006-07	16.14	398496	-
2007-08	15.66	410802	3.088111
2008-09	15.35	539150	31.24328
2009-10	14.90	609816	13.10693
2010-11	14.40	683347	12.0579
2011-12	13.98	753984	10.33692

Source- 1. DPE Survey 2008-09, 2009-10 and 2011-12
2. Economic Survey 2012-13

As per study of table-5 and table-6 we find that although the employee strength in CPSEs has reduced over the years but average per capita emoluments have increased from Rs. 3.9 lakh crores in FY 2006-07 to around Rs. 7.5 lakh crores in FY 2011-12 with increasing salary levels.

5.5 Contribution in Market Capitalization- CPSEs also have significant role as contribution in market capitalization which is given in table-7 shows percentage of market capitalization of CPSEs to total market capitalization of Mumbai Stock Exchange.

Table-7
Market Capitalisation **(In Crore)**

Year	Market Capitalisation of BSE	Market Capitalisation of PSEs	Percentage to BSE Capitalisation
2006-07	3545041	679089	19.16
2007-08	5138014	1120061	21.80
2008-09	3086075	813530	26.36
2009-10	6165619	1426212	23.13
2010-11	6,839,083	1,506,698	22.03
2011-12	6,214,941	1,253,246	20.17

Source- DPE Survey 2008-09, 2009-10 and 2011-12

As per above table it is observed that the market capitalisation of CPSEs have increased from Rs. 6.79 lakh crores in FY 2006-07 to Rs.15.06 lakh crores in FY 2010-11 but decreased to 12.05 in 2011-12. Consequently, in terms of market capitalisation the contribution of CPSEs to the market capitalization of BSE has ranged as average of between 22.11% during the period.

6. CONCLUSION-

On the basis of above study it is observed that the public sector in India was set up with the objective of achieving inclusive growth aimed at ensuring equity and justice to the overall community/ society. CPSEs have played a significant role in Indian economy as contribution towards GDP, contribution to central exchequer, contribution in foreign exchange earning, market capitalisation and employment. Consequently, CPSEs have been pioneers in implementing Corporate Social Responsibility (CSR) initiatives towards community growth and development while achieving their commercial mandate. Over the years, most of the CPSEs have consciously and extensively promoted corporate social activities as providing employment to the weaker and under-privileged sections of the society on a more equitable basis, providing all inclusive social facilities to the employees and their families, especially in the areas of education, healthcare and entertainment, providing assistance to social and cultural activities beneficial to employees and associated sections of the community and participating in or contributing to the causes and activities dealing with natural disasters. For ensuring that the Indian economy continues to scale new heights and emerges as an economic superpower, it is imperative for the Central public sector enterprises (CPSEs) to continue to demonstrate global competitiveness and achieve market leadership. As highlighted earlier, the empowerment of these enterprises by the Government has been a key enabler which has helped them in overcoming some of the operational constraints, critical for successful functioning of these organizations.

7. REFERENCES

- 1.Narain, L.,(1994) "Principles and Practices of Public Enterprise Management", S. Chand and Co. Ltd., New Delhi.
- 2.Minhas, B.,(1974) "Planning and The Poor". : S. Chand and Co. Ltd., New Delhi.
- 3.Trivedi, P.,(November, 29, 1986) "Public Enterprises in India: If not profit the for swhat", Economic and Political Weekly, 28.
- 4.Reddy, P. I. (1994, April - June). Performance Appraisal in Public Enterprises Through Value Added Approach`. The Journal of Institute of Public Enterprises, 18(3 & 4), 164.
- 5.Ruddar Dut, K.P.M. Sundharam,(2009) Indian Economy, S. Chandand Company Ltd., New Delhi, p.226.

Publish Research Article

International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Book Review for publication, you will be pleased to know that our journals are

Associated and Indexed, India

- ★ International Scientific Journal Consortium
- ★ OPEN J-GATE

Associated and Indexed, USA

- ✍ Google Scholar
- ✍ EBSCO
- ✍ DOAJ
- ✍ Index Copernicus
- ✍ Publication Index
- ✍ Academic Journal Database
- ✍ Contemporary Research Index
- ✍ Academic Paper Database
- ✍ Digital Journals Database
- ✍ Current Index to Scholarly Journals
- ✍ Elite Scientific Journal Archive
- ✍ Directory Of Academic Resources
- ✍ Scholar Journal Index
- ✍ Recent Science Index
- ✍ Scientific Resources Database
- ✍ Directory Of Research Journal Indexing

Indian Streams Research Journal
258/34 Raviwar Peth Solapur-413005, Maharashtra
Contact-9595359435
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com
Website : www.isrj.org