

## Causes for the expansion of public enterprises

At the time of independence, India was backward and underdeveloped - basically an agrarian economy with weak industrial base, high rate of unemployment, low level of savings, and investment and near absence of infrastructural facilities. Indian economy needed a big push. This push could not come from the private sector because of the lack of funds and their inability to take risk with large long-gestation investments. As such, government-interventive intervention through public sector was necessary for self-reliant economic growth, to diversify the economy and to overcome economic and social backwardness.

Let us discuss the rationale or causes for the expansion of public sector enterprises in India -

- ① Rate of Economic Development and public Enterprises :- The justification for public enterprises in India was based on the fact that the targeted rate of economic growth planned by the government was much higher than could be achieved by the private sector alone. In other words, the

public sector ~~sector~~ was essential to realize the target of high growth rate deliberately fixed by the government.

② pattern of Resources allocation and public Enterprises :- Another reason for the expansion of the public sector lies in the pattern of resources allocation decided upon under the plans, in the second plan the emphasis was shifted to industries and mining, mainly basic capital goods industries to be developed under the aegis of the public sector. Thus more resources for industrialization were funneled through the public sector.

③ Removal of Regional disparities through public Enterprises  $\Rightarrow$  Another important reason for the expansion of the public sector was the need for balanced development in different parts of the country and to see that there were no serious regional disparities. public enterprises were set up in these ~~serious~~ ~~regions~~ regions which are underdevelopment and where local resources were not adequate. Good example

are the setting up of the three steel plants of Bhilai, Rourkela and Durgapur and the Neyveli project in Madras which were meant to help industrialise the regions surrounding the projects.

(4) Source of funds for economic development  
⇒ Initially, state was an important source of funds for development. The surplus of government enterprises could be reinvested in the same industries or used for the establishment and expansion of ~~the~~ other industries. Profits of public sector industries can be directly used for capital formation which is necessary for the rapid development of the country.

(5) Socialistic pattern of society: - The socialistic pattern of society envisaged in the Constitution calls for expansion of public sector. For one thing, production will have to be centrally as regards the type of goods to be produced, the volume of output and the timing of their production. Besides, one of the objectives of the directive principles of the Indian Constitution is to bring about reduction of the inequalities of income and wealth to establish an egalitarian

society. The five year plans have taken this up as major objective of planning. The public enterprises were used as major instruments for the reduction of inequality of income and to bring about a more equitable distribution of income in several ways.

⑥ Limitations and abuses of the private sector ⇒ The behavior and attitude of the private sector itself was an important factor responsible for the expansion of the public sector in the country. In many cases the private sector could not take initiative because of the lack of funds and their inability to take risk with large long-gestation investment. In a number of cases, the government was forced to take over a private sector industry or industrial units either in the interest of workers or to prevent excessive exploitation.

exploitation of consumers. Very often the private sector did not function as it should and did not carry out its social responsibility. The government was forced to take over or to nationalize the private sector units.

To sum up, the expansion of the public sector was aimed at fulfillment of our national goals viz. the removal of poverty, the attainment of self-reliance, reduction in inequalities of income, expansion of employment opportunities, removal of regional imbalances, acceleration of the pace of agricultural and industrial development, to reduce concentration of ownership and prevent growth of monopolistic tendencies by acting as effective counter-vailing power of the private sector, to make the country self-reliant in modern technology, and create professional, technological and managerial cadres so as to ultimately rid the country from dependence on foreign aid.

---

Teacher - Ravi Shankar Ray sub-economic

Date - 10-10-2020

Class - BA-II