

Public Sector

Objectives of Public Sector

- To attain commanding heights in an economy
- To provide commercial surplus to finance economic development
- To promote rapid economic development by filling critical gaps in the industrial structure
- To provide basic infrastructural facilities
- To ensure balanced regional development and dispersal of economic activity

Objectives of Public Sector (contd.)

- To reduce sharp disparities of income and prevent concentration of economic power in few hands
- To bring social control and regulation of long term finances through government financial institutions
- To create employment opportunities on an increasing scale
- To achieve self-reliance in critical areas
- To help improve foreign exchange earnings

Role of public sector

- Creation of a strong industrial base
- Development of infrastructure
- Development of backward areas
- To mobilise savings and earn foreign exchange
- To prevent concentration of economic power
- To promote equality of income and wealth distribution
- To Provide employment
- To promote import substitution

Problems of Public sector

- Unprofitable pricing
- Over staffing
- Management gaps
- Underutilisation of capacity
- Inadequate autonomy

Problems of Public sector (contd.)

- High losses
- Burden of sick units
- Poor project planning and control
- Bureaucratic delays

Causes of poor performance of public sector

- Heavy social cost
- Low priced products
- Large proportion of loans
- Slow decision making
- Oversized plants

Causes of poor performance of public sector (contd.)

- Unutilised capacity
- Inefficient inventory control
- Over regulation and political intervention
- Traditional audit procedure
- Macroeconomic policy failures

Remedial measures for improving performance of public sector

- Need for a proper theory of performance evaluation⁴
- Right choice of managers
- Price policy
- Better system of material management
- Encourage exports
- Better project planning and implementation

Remedial measures for improving performance of public sector (contd.)

- Political consideration
- Introduction of competitive dualism
- Involvement of capital market
- Scheme to sell sick PSU's to private sector
- Surplus labour should be put to some other productive use

Public sector reforms

- Dual strategy of reforms
- Liberalisation
- Fall in reserved activities
- Areas reserved for public sector
- Disinvestment
- Sick PSE's
- Autonomy and accountability