

Innovations

The Role of Government Policies on Industrial Growth and Performance in India for Public Sector Enterprises

Roshan Baa

Assistant Professor Department of Commerce
St. Xavier's College, Ranchi, India

Dr. A.K. Chatteraj

Associate Professor University Dept. of Commerce and Business Management, Ranchi
University; Former Acting Chairman JPSE

Abstract

Government policies are needed for public sector enterprises to develop its industrial growth and performance in the Indian market. Occupational safety and industrial relations codes are essential policies to develop the financial conditions successfully. This is beneficial for public sector enterprises for providing workplace safety to employees by which these individuals feel safe at the time of working. The aim of this study is to understand the roles of government policies on industrial growth and performance in India for public sector enterprises. In this study, secondary quantitative data have been collected to interpret the study successfully. Market size of public sector enterprises is enhanced by government policies in the Indian market. This is immensely essential to maintain industrial growth and development successfully. The highest market size was gained in the year 2020 to enhance profitability and productivity of public sector enterprises. Import and export value to GDP ratio is improved by the roles of government policies.

Keywords: Public sector enterprises, GDP ratio, Government policies.

1. Introduction

Public sector enterprises have a significant role in the economic development of India. It is identified that these enterprises are vital to maintain sustainable productive growth and to improve employee opportunities. In addition to this, it ensures proper and effective utilisation of human resources for improving the economy to mitigate poverty as well. In this context, there are several government policies that are important to maintain industrial growth and

performance that have a significant role in economic development in India. It can be said that the government policies have a significant influence on public sector enterprises in India regarding the amount of tax paid by the companies, compensation for violating rules, immigration laws and status as well as pension. In this context, government policies are found to be affected by interest rate, inflation rates that make a significant influence on both business and the citizens of the country.

In a developing country such as India, the government plays an important role in order to promote economic development. The production, consumption as well as distribution of the commodities are controlled by the government policies and strategies with the aim of improving the living standard of people by increasing the per capita income of the country. It is identified that the policy makers in India provide focus on technology, and evolution to meet sustainable development goals. In this context, in the present research article, the role of the government policies to improve the growth, development and performance of the public sectors in India is analysed and evaluated. In the next sections rationale and the objectives of the study along with the research hypothesis is discussed in second and third section whereas the fourth part sheds light on reviewing the relevant literatures to determine the research gap. In the fifth chapter, the methodology that are adopted to conduct the study and in sixth chapter the discussion is made. In addition, in the last two sections the results and the conclusion of the study is discussed.

2. Rationale and Objective of Study

After the independence in 1947, the government sectors made a significant contribution in developing the infrastructure to promote industrialization for the development of economy. There is no conflict that the government policies play a significant role in developing manufacturing industries in India. In India, the total numbers of employees in public sectors are reported as 7.78 million as per the report of 2020 (Statista, 2021). It is identified that the public sectors have a significant influence on generating capital which provides a certain amount of support to the Indian economy to expand the infrastructure of the companies as well as creating opportunities for the people of India that leads to economic development as well. Furthermore, it provides necessary resources to the government for meeting the need of the citizens.

In this context, *the main objective of the research article is to determine the role of government policies on industrial growth and Performance in India for Public Sector Enterprises*. However, the other objectives are:

- To evaluate different types of government policies in India for PSEs.
- To identify the factors that affect industrial growth and performances

- To determine the importance of PSEs in economic development in India

3. Review of Literature/Research Gap

The public sector enterprises in India are controlled by the government where the government has partial or full ownership on these enterprises and in the PSEs helps in developing the economy of the country. The Indian government has introduced four major reforms in the public sectors in 1991 which is a significant part of the Industrial Policy. As per the policies, those enterprises are potent and viable are considered to reform and revitalize whereas closing down the sectors that cannot be reviewed further. According to Erumban *et al.* (2019), these economic policies have a significant influence on the structural change as well as productivity growth in India. It is identified that in order to develop a strong capital goods base, the policymakers in India mainly focus on iron and steel industries. In this context, in 1980, several policies regarding industrial and trade are adopted by the Indian government to make significant relaxation in product licensing as well as some relaxation regarding in importing.

In this context, the overall GDP growth has been significantly improved in 1980s. It is identified that the GDP growth has been increased nearly 3.5% during 1950-1979 whereas during 1980 to 1990, the per capita income of the country had been increased to around 5.5% due to these economic reformation policies (Erumban *et al.* 2019). According to Miglani (2019), due to strong government policies by the Indian government, it has become easier to promote foreign investment. It can be said that due to these economic policy changes, the structural change of the economic growth has been taken place that leads to improve productivity. In addition to this, it is identified that the public sectors have a critical influence in Indian economy as it promotes new employment opportunities.

Research Gap

The literatures that are analysed provide adequate information regarding the role of the government policies in public sector enterprises. However, there should be more focus on especially the role of these policies in industrial growth and performances of public sector enterprises in India.

4. Methodology

The methodology is an important section as it determines the way to conduct the research in a systematic and methodological manner. The methods of collecting the data and analysing the data for carrying out the study further is highlighted by this section which helps the research persons to avoid any kind of research error that determines the authenticity and originality of the research. In this regard, the method of collecting the data and analysing with proper techniques in necessary to proper interpret the result of the study. Interpretivism

research philosophy has been selected for this study to maintain logical and coherent way of research work (Alharahsheh and Pius, 2020). It is evident that there are two types of data collection methods such as primary data collection a secondary data collection. Due to shortage of time and cost, secondary method of data collection is adopted for conducting the present study. Only peer-reviewed scientific journals and articles that are published in a valid and authentic site and published in or after 2019, are analysed for collecting secondary data. In order to analyse the secondary data sets, quantitative method is taken into consideration where different themes are derived from the peer-reviewed journals and articles and the collected numerical data sets are analysed by the statistical analysis.

5. Discussion and Analysis

5.1 Influence of governmental policies on economic development of the public sector enterprises of India

The public sector enterprises in India have a significant influence on the economic development as it mainly focusses on increasing per capita income of the country to improve the living standard of the citizens as well. In this context, the economic reform policies and strategies taken by Indian government play a critical role in developing the economy of the country. It is identified that the government has realized that incorporating India in the global economy is significant to develop a strong and growth-oriented country. There is no conflict that increasing per capita income of a country is significant for the overall economic develop in India. In addition to this, due to strong government policies the overall GDP has been found to be significantly increased. It is identified that from the previous year, the gross domestic savings has increased by 1% in 2020 (Rathore, 2022). It is identified that between 2016 to 2020, the net GDP has been fluctuated and in 2017 the overall GDP has significantly increased nearly 1.7% whereas in 2019 it has become lower to around 0.7%.

The public sector enterprises are found to be a significant component of economy as it concluded different levels of government as well as government aided business organizations. It can be said that the public sectors of India provide necessary infrastructure that aids in development of the people of India. In addition to this, it is evident that several government policies adopted by the public sectors has a significant influence to form a certain amount of capital which is identified to risen the gross domestic share as well. In this context, in 1991, the Indian government has introduced four major reform policies that have a significant contribution in restructuring the public sectors of India which has the capability to contribute in economic development. In addition, according to the Industrial Policy Resolution in 1956, several industries are considered as public sectors including the atomic, energy, mining as well as several means of communication including railways. In this regard, it is evident government policies have a critical role in overall GDP due to public sectors in India.

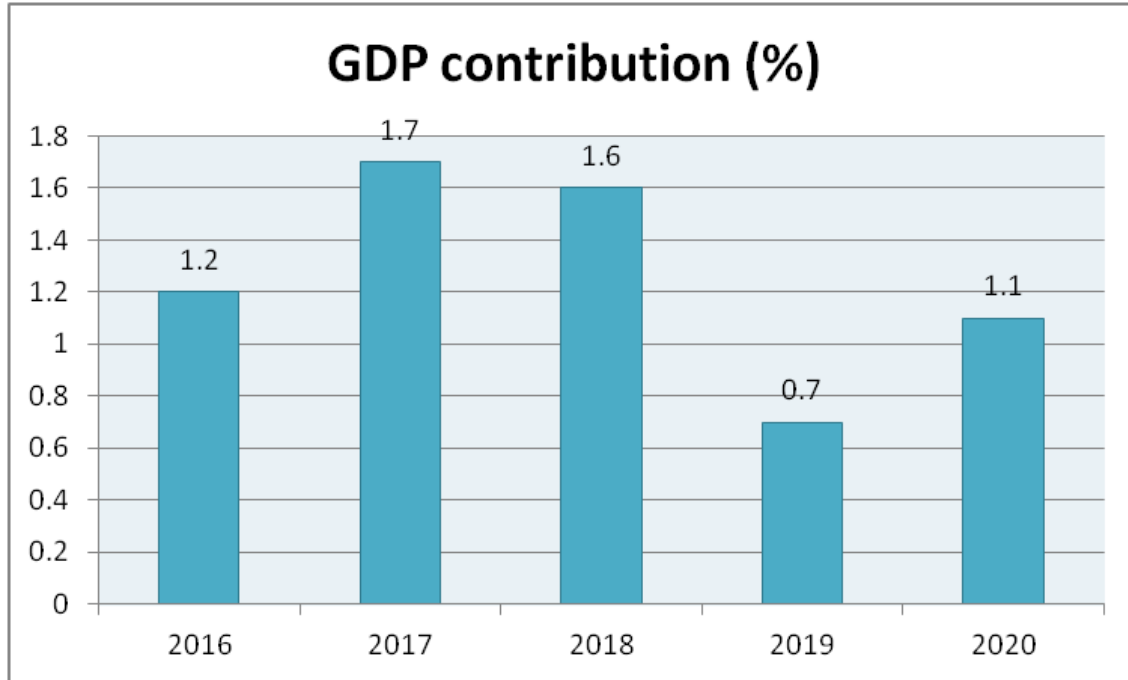


Figure 1: the gross domestic savings in public sector enterprises in relation with GDP

(Source: Self-developed, referred to Excel)

5.2 Impact of government policies on industrial growth in India in the context of market size of the public sector enterprises

Public sector enterprises always try to develop their market size by identifying potential buyers in the market and this is beneficial to enhance industrial performance and development in a successive manner. Potential buyers are an essential factor in maintaining market size and this is helpful for the public sector to maintain its market revenue and growth significantly. Total revenue of the public sector can generate positive sales value in the Indian market. *Industrial relations code* is an essential government regulation to maintain strong relationships among employees in the workplace. Thus, it helps to improve trust and satisfaction of the employees which eventually leads to their performance development and industrial growth. Improvement of productivity of the employees and industrial growth helps to boost the market size of the sector successfully. Two methods are mainly used for market sizing such as: “bottom-up market sizing” and “top down-market sizing”. These two methods are essential for the public sector to develop industrial growth and performance in a successive manner.

Year	Market size of public sector enterprises (Percentage)
2016	52
2017	53
2018	53
2019	53
2020	55

Figure 1: Market size of public sector enterprises

(Source: Ibef.org, 2022)

Market sizing of public sector enterprises was 55% within the year 2020 in the Indian market to identify potential buyers. This value was 52% in 2016 and increment of values increases on a yearly basis to improve profitability and productivity of public sector enterprises in the Indian market. In case organisations select adequate and potential markets and customers, public sector enterprises can easily expand their business activity in different marketplaces. Infrastructure and structural conditions are developed by the market sizing strategy of public sector enterprises in the Indian market. The engine of growth for India's growth remains unchanged with the help of work processes in public sector enterprises. Public sector enterprises contribute 53% to India's Gross Value Added at current prices of goods and services (Ibef.org, 2022). This is effectively beneficial for the organisations to develop their current economic situations in a successive manner.

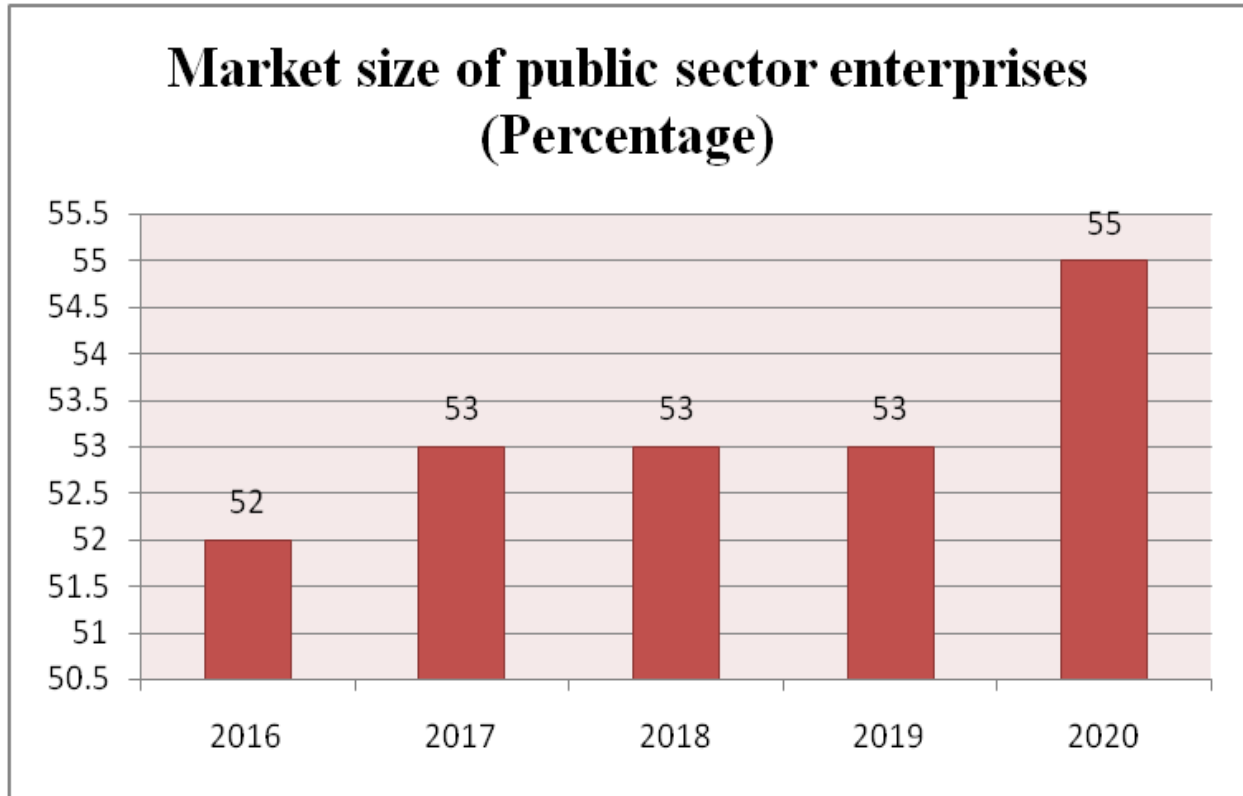


Figure 2: Graphical representation of the market size of public sector enterprises

(Source: Self-developed using MS-Excel)

Market sizing is helpful to enhance sales value and build brand awareness in the Indian market. As a result, organisations can easily develop their infrastructure and policies successfully. In case the market size of the public sector increases profitability and productivity of the sector enhances significantly. Public sector enterprises get an opportunity to launch a new product in the Indian market and the sector has a responsibility to provide different types of goods and services to their customers. Public sector enterprises always try to maintain all government rules and regulations related to industrial development and performance in an organised manner. The first alternative hypothesis is approved with the help of the findings.

5.3 Influence of government policies towards industrial production growth rate in the context of the public sector enterprises

Annual growth rate of public sector enterprises increases successfully in India by adequate market size analysis. In case organisations provide better goods and services in the market, profitability ratio increases, and consequently, the annual growth of public sector enterprises through its market revenue and share successfully. Public sector enterprises have a

responsibility to follow all government rules and regulations related to industrial development and performance. This is an important factor to enhance its rate of production in the market. In case production of public sector enterprises increases, the national income of the nation increases effectively. The sector can easily enhance its average marginal productivity in the Indian market to improve its position and prosperity successfully in the market. Public sector enterprises provide better quality and quantity of basic goods and services in the Indian market to fulfil demands of the local markets and customers. For this reason, profitability and rate of production of public sector enterprises increase due to the requirement for products and services.

Year	Industrial production growth rate of public sector enterprises (Percentage)
2016	3.3
2017	4.6
2018	4.4
2019	3.8
2020	-0.8

Figure 3: Industrial production growth rate of the public sector enterprises

(Source: Rathore, 2022)

Annual growth rate increases on a yearly basis to enhance its industrial growth and performance effectively. This is beneficial for the Indian economic framework in the global market. Annual growth rate was 3.8% in the year 2019 and the value decreased to -0.8% in the year 2020 (Rathore, 2022). Pandemic situation of Covid-19 creates a negative impact on the annual growth rate due to the stoppage of transportation. *Occupational safety laws* are helpful for public sector enterprises to maintain workplace safety successfully in the workplace. As a result, employees feel healthy and safe during working hours. These individuals provide better efforts in the workplace to develop industrial production growth successfully. Government policies play an essential role to develop industrial performance and growth. The sector is not capable enough to maintain its annual growth rate significantly in the Indian market. Production rate of public sector enterprises decreases in the year 2020 and industrial performance and growth are also hampered due to the pandemic situation of Covid-19.

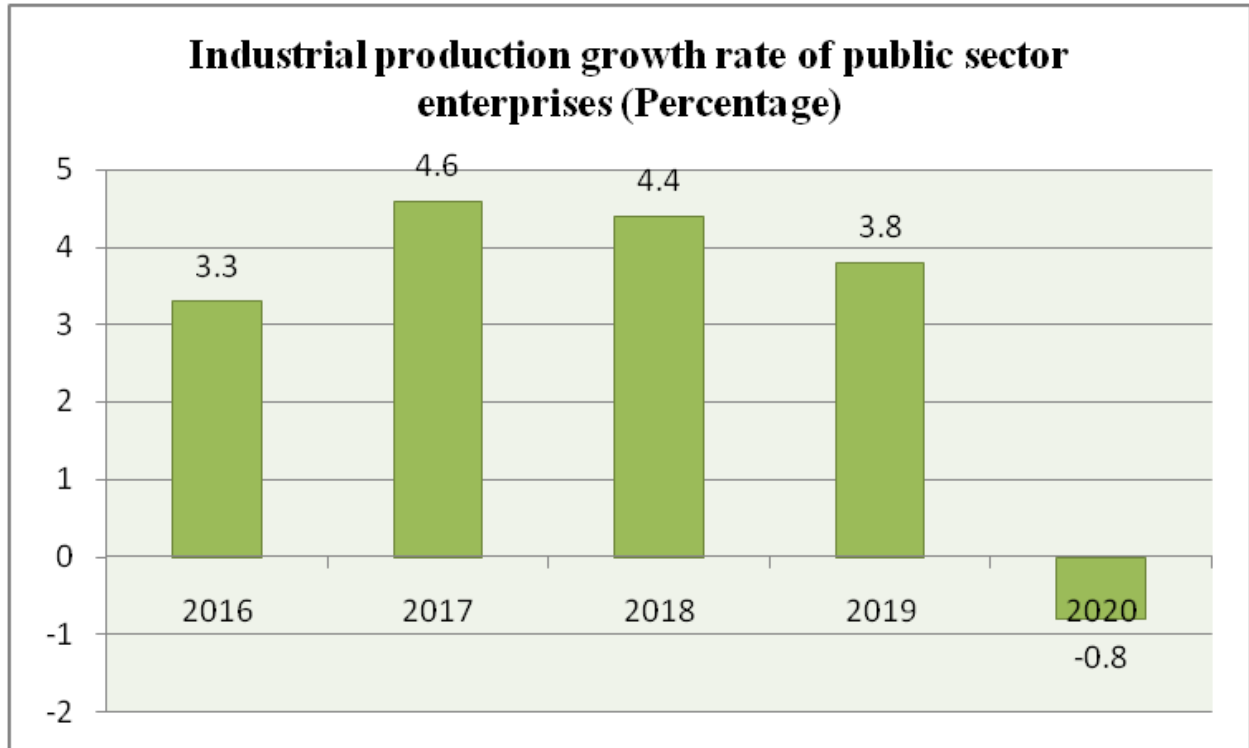


Figure 4: Graphical representation of Industrial production growth rate of the public sector enterprises

(Source: Self-developed using MS-Excel)

Annual growth rate is essential for public sector enterprises to improve their position and prosperity successfully in the Indian market. Financial metric analysis is done by the annual growth rate of public sector enterprises significantly. This economic factor plays an essential role to maintain the growth rate of sales, productivity, earnings, and cash flow in the Indian market. This is beneficial for product sector enterprises to get an adequate diction of work processes and strategies successfully. The annual growth rate of public sector enterprises is helpful to promote economic development of a nation significantly. This is immensely important for public sector enterprises to provide support to the weaker sections of the Indian society. Findings are helpful in proving the third alternative hypothesis successfully.

5.4 Contributions of government policies to improve export and import to GDP ratio of public sector enterprises in India

Export and import of goods and services are essential economic factors in the market to improve its position and prosperity successfully. Public sector enterprises provide better quality and quantity of goods and services to their customers. The sector engages more domestic employees in the workplace to understand demands of markets and customers. In case public sector enterprises import several types of products as per requirement of the

market, this is valuable to add value to the GDP ratio in the Indian economy. A high GDP rate is helpful for the public based sector in the Indian market to develop industrial growth and performance significantly. The Indian government always tries to grab branded products in the Indian market by which Indian citizens can easily maintain a healthy and safe lifestyle on a daily basis. Indian government always tries to grab foreign currency to export different types of goods and services successfully in the global market.

Year	Export and Import to GDP ratio (percentage)
2016	43.1
2017	40.7
2018	41.1
2019	43.8
2020	40.3

Figure 5: Export and import to GDP ratio of public sector enterprises

(Source: Rathore, 2022)

GDP ratio for import and export of goods and services of public sector enterprises is decreased on a yearly basis. This is a curse for the public sector enterprises to develop its position and prosperity successfully in the Indian market. GDP ratio was 43.1% in the year 2016 and this value is helpful to develop financial conditions of India (Rathore, 2022). This value gradually decreases in the global market and this creates a negative impact on the Indian economic framework successfully. During the pandemic situation of Covid-19, export and import to GDP ratio was 40.3% and this is immensely low in the global market to develop industrial growth and performance significantly. Lack of efficient strategies and processes can lead to a decrease in the import and export to GDP ratio of the country and that might hamper the economic development of India.

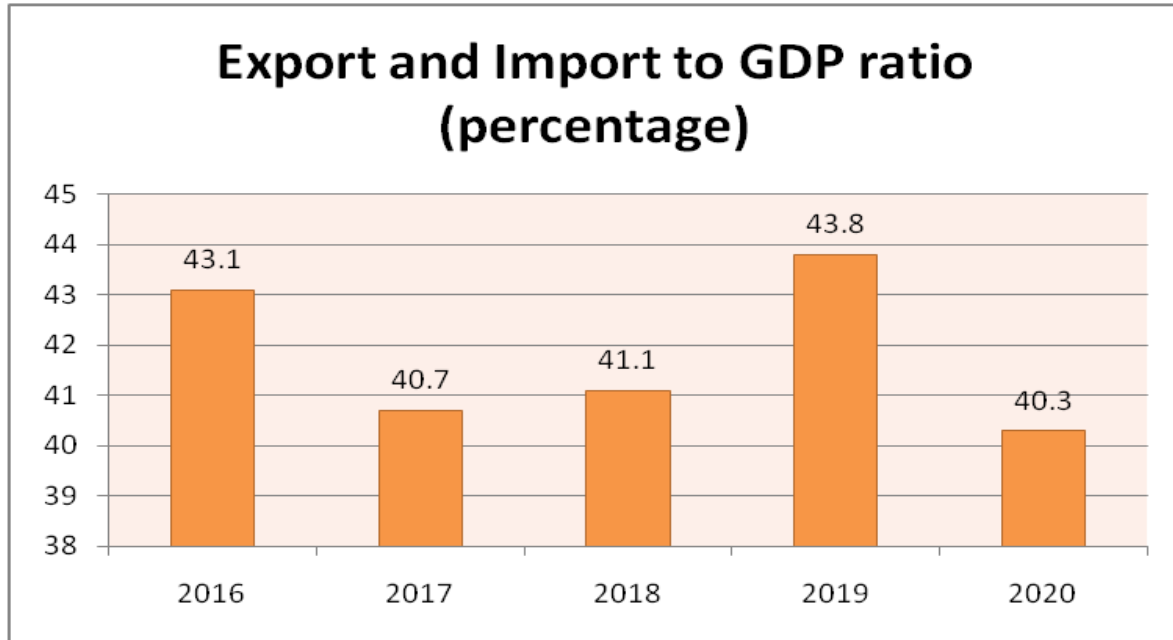


Figure 6: Graphical representation of export and import to GDP ratio of public sector enterprises

(Source: Self-developed using MS-Excel)

Export and import to GDP ratio of public sector enterprises play an essential role to enhance industrial development and performance. The Indian government has different types of rules and regulations related to import and export facilities in the market. Public sector enterprises have a responsibility to maintain all rules effectively to develop the GDP ratio effectively. Public sector enterprises always try to develop their import and export to GDP ratios with the help of the above-mentioned government policies in the Indian market. The profitability and productivity of the sector increase through the GDP ratio in import and export facilities. The fourth alternative hypothesis is also approved with the help of the findings.

6. Results and Findings

Public sector enterprises play an essential role to develop industrial growth and performance successfully in the Indian market. This is immensely beneficial for public sector enterprises to develop market size in the global market. The highest market size was 55% in the year 2020 and this value increases on a yearly basis to maintain all governmental rules and regulations. Public sector enterprises can easily identify potential markets, customers, and investment processes, by which these sectors can easily maintain market sizing strategy successfully in the Indian market. The highest gross domestic savings is 1.7% in the year 2017 and this value decreases to 1.1% in the year 2020. Public sector enterprises have a duty to enhance their economic development for maintaining its market value and prosperity in

the Indian market. Industrial production growth rate of public sector enterprises was enhanced to 4.6% in year 2017 and in the year 2020, this value decreases to -0.8% in the Indian market. At that time, working processes and strategies are totally stopped due to the pandemic situation. For this reason, economic development of Indian economy is hampered in the year 2020. Import and export to GDP ratio for public sector enterprises was 43.8% in the year 2019. Adequate investment processes and regional development of public sector enterprises are hampered due to a lack of employees, transportation, and raw materials.

7. Conclusion

Industrial relations code and the occupational safety laws are two essential government laws to improve industrial growth and performance of public sector enterprises in the Indian market. These policies are helpful for public sector enterprises to maintain a safe and healthy workplace. These individuals provide better performance during working hours to improve the market size and industrial production growth rate of public sector enterprises. Regional development, market size, and industrial production growth rate are essential factors for public sector enterprises in the Indian market. Public sector enterprises play an essential role to enhance its industrial growth and performance successfully in the Indian market.

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