



Rethinking PSE Policy

 drishtias.com/current-affairs-news-analysis-editorials/news-editorials/15-05-2021/print

This article is based on **“Is it time to rethink PSE policy?”** which was published in The Hindu Business Line on 14/05/2021. It talks about the relevance of Public Sector Enterprises (PSEs) in the present scenario.

Recently, the government has announced that it will be using three public sector enterprises (PSEs) for manufacturing Covaxin to augment the manufacturing capacity under Mission COVID Suraksha.

Apart from it, several PSEs in the steel, petroleum and natural gas sectors have supplemented the efforts of the government in making available liquid medical oxygen as well as transportation of it.

PSEs in India, since their inception, have played a pivotal role in realising the objective of achieving higher growth and equitable socio-economic development of the country. Their sustained contribution to the economic and social fabric of the country has become even more relevant in the present scenario.

Therefore, the recent decision has also revived the debate on the government's policy of minimising presence of PSEs' and creating new investment space for the private sector.

Relevance of PSEs

- **India, Not Yet A Developed Economy:** Historically, PSEs have provided a very strong infrastructure base for the economy as well as for the industry.
 - Further, PSEs were set up with socio-economic objectivity and not only profit have created a right kind of infrastructure for the economy.
 - So to say the government has no business to be in doing business perhaps, to my mind, needs to be revisited.
- **Employment Creation:** PSEs were regarded as one of the key generators of remunerative employment in the formal sector, providing safe and secure jobs.

- **Creation of Assets:** The contribution of PSEs towards creation of national assets in the initial decades following Independence is particularly noteworthy, especially in sectors that are regarded as high risk and low return on investments by the private sector
- **Expanding Global Footprint:** Indian PSEs are already present across the globe in regions such as the Middle East, Africa, Europe, Asia, Latin America and North America and there is tremendous potential for Indian CPSEs and PSEs to expand their global footprint further by enhancing their competitiveness.

Way Forward

- **Adopting PPP Model:** There is a need to revisit the PSE policy, but more in terms of their functioning.
These companies should be run by a professional board without government interference. These PSEs could be run under the PPP model or as JVs too
- **Systemic Reforms:** For the industry's future growth and development, the government also needs to urgently focus on providing support in some key areas in the following domains: revival of PSUs, land, finance/banking/working capital, utilities and services, environmental issues and R&D.
- **Adopting a Competitiveness Model:** CII Research report- The Rise of the Elephant' recommends adopting a Competitiveness Model for transforming CPSEs into efficient and globally competitive entities. The key elements of the model are:
 - Clarity in Roadmap and Objective
 - Role Demarcation
 - Operational Independence
 - Independent and Empowered Board
 - Level Playing Field
 - Future Ready

Conclusion

Yes, the private sector has a role to play in the growth of the economy, but what PSEs have contributed cannot be ignored, particularly in testing times like today. PSEs have time and again risen to the occasion and this time too it is no different.

Drishti Mains Question

The Covid-19 pandemic has revived the debate on the government's policy of minimising presence of PSEs' and creating new investment space for the private sector. Discuss.
