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# Impact of Public Sector Enterprises Reforms on Business Growth and Performances in India

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*Abstract*

The performance and growth of industries in a country are important indicators of its economic progress at the global level. PSEs have been at the centre of the performance and growth of industries in India. There are numerous reforms that have been made in PSEs that have impacted the growth and performance of industries in the country. Hence, the purpose of the study is to explore the impact of PSEs reforms on the growth and performance of industries in the country. The study has made use of secondary data to gather the required data while focusing on quantitative analysis to gather the required insights. Graphs and tables have been used to present the gathered information and assess the performance of core industries of India in reference to the reforms in PSEs. It has been found that the reforms have helped with the growth of all the sectors in a significant matter but some sectors still were unable to address the needs of the country. Hence, new reforms and policies are important for meeting the growing needs of the population and making the country self-sufficient.

**Keywords:** PSEs, core industries, steel, coal, reforms, oil and gas, performance

## Introduction

Public sector enterprises (PSEs) have played a significant role in the socio-economic development of India since the country's independence. PSEs are part of the Indian economy which is controlled and owned by the Government of India. The primary goals of these PSEs are to provide the people of the country with essential products and services while promoting economic development and protecting the interests of the weaker section of society. PSEs have made significant progress since their inception and have contributed in a great manner to the development of infrastructure and the promotion of industrialisation in India (Dholakia and Dholakia, 2022). The total industrial production of India is dominated by eight core industries and they are- coal, steel, cement, crude oil, refinery products, natural gas, fertilizers and electricity, which account for 40% of the total production. All of these eight sectors are dominated by the PSEs in the country while making a significant contribution to the overall exports of India. Hence, the PSEs have been the backbone of the nation's economy due to their significant role played in the economic development of the nation. The prospects of PSEs emerging as the driver of the Indian economy have been subjected to various reforms over the years. These reforms have played a significant role in the overall development of the PSEs and in turn aiding the industrial growth and performances within the country. However, among all the reforms that were made in the PSEs, the most prominent reform within the sector was the ‘New Industrial Policy 1991’. This policy was implemented to increase the pace of industrial development within the country by relieving the industry from the barriers of the licensing system which limited the space for the role of PSEs. The policy allowed the firms to import foreign technology while developing a competitive culture in the country. Hence, such PSEs reforms completely transformed the industrial space and contributed to better development and performance.

**Rationale and Objective of Study**

As mentioned, PSEs have played a key role in the number of exports in the nation and facilitated industrial growth and revolution. There are various reforms that have been made by the government in the PSEs that have contributed to the growth and development of the nation. PSEs are an important part of the nation’s economic prosperity and societal development. The industrialisation of the Indian economy would not be possible without the PSEs and the reforms undertaken by the government of the nation. The reforms have contributed to the growth of PSEs and the rise of industries in the country. Hence, it becomes necessary to understand the extent to which these reforms have contributed to the industrial growth and performance of the country. The objectives that would help in addressing this particular aspect are:-

1. To analyse the performance of the core industries of the country in light of the reforms made in the PSEs.
2. To understand the strategic importance of these core industries in the future growth and development of the nation.

Research hypothesis

The successful achievement of the above-mentioned objectives would further help in testing the below-mentioned hypotheses.

**H0:** The reforms made in the public sector units have no impact on the industrial growth and performance in India

**H1:** The reforms made in the public sector units have had a significant impact on the growth and performance of the industries in India.

**Review of Literature/ Research Gap**

Public sector enterprises (PSEs) and the reforms made in the sector have long been the focus of study for various researchers over the years. Past studies have managed to talk about the reforms made in the sector in a comprehensive manner while providing a clear idea of the steps taken by the government in the process. Suleiman and Waterbury (2019) have explored the impact of public reforms and privatisation on the attitudes of the people and the consequence of the policies on the profitability of the firms in the market. Hence, the entire politics behind public reforms and privatisation have been explored in the literature. The impact of public investment has been further explored by Bahal *et al.* (2018) highlighting the long-term impacts of the investments. Choudhury and Khanna (2018) have further explored the impact of the reforms at the public and private levels on elements like resources and patent fillings.

**Research gap:** The review of literature has highlighted that there are no studies that have focused on the impact of PSEs reforms on the industrial growth and performance in the country. None of the studies have focused on the way in which each sector has performed in light of the reforms made and something that will be addressed in this study to provide the necessary insights.

**Methodology**

The research on the impact of PSEs reforms on industrial growth and performance has been completed with the help of secondary data. The annual reports published by the public sector units have been used to gather the necessary data to understand their performance in light of the reforms made in the country. The reports of the Indian government along with reports published by the steel sector, coal industry, fertilisers and petroleum & gas industry have been used to collect quantitative information on the subject. The data and values for the last three decades have been gathered to gather the required insights on the topic. Further, quantitative analysis of the collected data has been done using Ms Excel software. Graphs and charts have been developed with the help of the tool to present and interpret the performance of the major industries over the years in reference to the reforms made. The graphs, tables and charts used have made it easy to analyse the performance of the industries over the years and address the above-developed hypotheses in an effective manner.

**Discussion and Analysis**

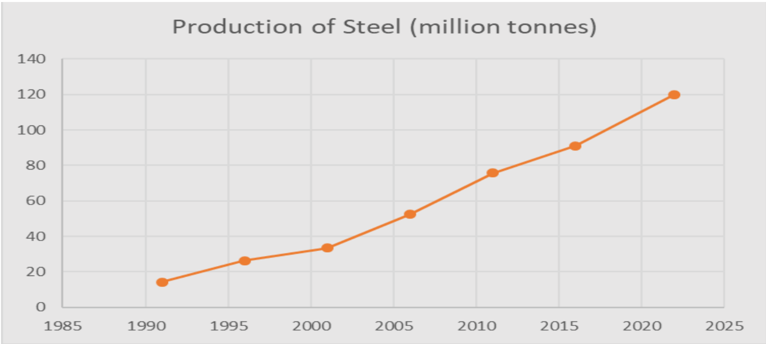
The PSEs reforms undertaken by the government of the country have played a key role in industrial growth and development. India is one of the largest economies of the world and much of this can be attributed to the reforms that have been undertaken by the government of the nation that have helped with the growth and development of industries in the country.

The key industries that are greatly controlled by the government and have been impacted by these reforms are steel, coal, petroleum & natural gas and fertilisers. The major reforms that have been made by the government since 1991 have not only impacted these industries but also the ones that are not controlled by the government. India has witnessed significant growth in industrial output over the years and all of these will be discussed and analysed in this section of the article with a focus on the performance of each of the major industries that play a key role in the economic development of the nation.

Steel industry

The industrial performance and growth can greatly be related to the use of metal and one of the metals that has managed to occupy the top spots in the arena is steel. The steel industry of India is one of the most important industries and India became the second-largest producer of steel in the world surpassing Japan in 2019 (Steel.gov.in, 2023). The use of metals has been the driving force behind industrialisation and steel has always acquired the top position in this particular context. Hence, the production and consumption of steel within the country are some of the common measures of economic growth and industrial performance of the nation. The steel industry has been at the forefront of the industrial advancement made by the nation and can also be termed the backbone of the nation’s economy. The government of the country has taken various steps over time to drive the growth of the steel sector and this further led to the launch of the steel authority of India (SAIL) in 1973. SAIL is the PSEs that manages all the major steel plants in the country and is the major contributor to the steel output of the country.

**Figure 1: Production of steel in India (1991-2022)**

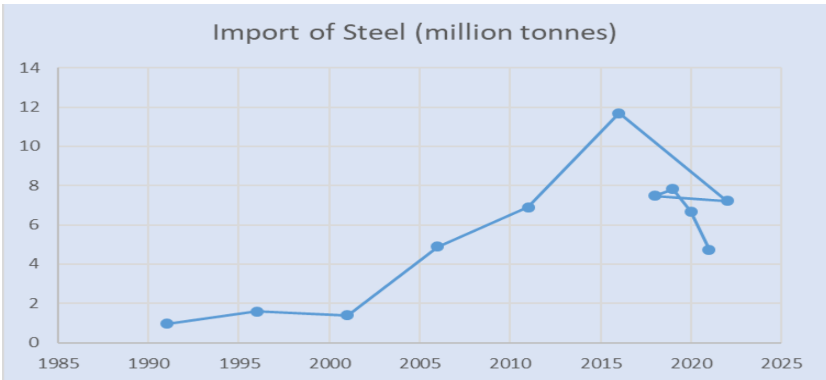



(Source: Self-developed using data from Steel.gov.in, 2023)

The past 10-12 years have witnessed significant growth in the steel sector of the country with a 75% increase in production since 2008 and an 80% rise in the domestic demand for steel in the country (Steel.gov.in, 2023). The production of crude steel in the country has been 133.596MT and that of finished steel has been 120.01MT in FY22. The consumption of finished steel in the country stood at 105.751MT in FY22. The annual production of steel is expected to get past 300 million tonnes by 2030-31 where the crude steel production is expected to reach 255 million tonnes at 85% utilisation capacity while achieving 230 million tonnes of finished steel production (Steel.gov.in, 2023).

Further, the export of steel stood at 13.49MT and the imports were 4.67MT in fiscal year 2022. The exports of steel rose by 25.1% in FY22 year-on-year compared to 2021 (Steel.gov.in, 2023). The growth of the steel industry has led to a decline in the imports of steel over the years while there has been a significant increase in exports over the years. Although India started exporting steel back in 1964, they were clearly regulated and dependent on the economic surpasses but the economic liberalisation in 1991 led to a massive jump in the export of steel.

**Figure 2: Import of steels (1991-2022)**




(Source: Self-developed using data from Steel.gov.in, 2023)

**Figure 3: Exports of steel (1991-2022)**


(Source: Self-developed using data from Steel.gov.in, 2023)

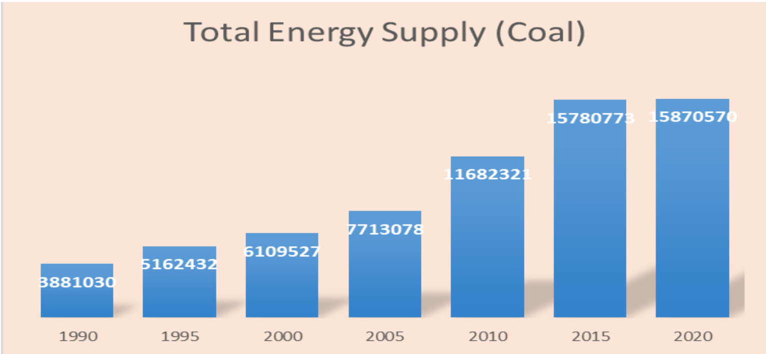
However, the exports were also greatly affected by the growing demand at the domestic level in the country even after the liberalisation. However, as the production and consumption of steel can be used to indicate the industrial performance of the sector in the country, it is quite evident that the reforms made have significantly contributed to the industrial performance of the sector in the country.

It is further expected that the domestic consumption of steel is going to increase in the future to support the economic growth and development of the nation. The government has developed the National Steel Policy 2017 in this context to meet the future demands for steel in the country. The goal of this policy is to help the country achieve self-sufficiency in the production of steel in the country and achieve a steel production capacity of 300MT by 2030 (Steel.gov.in, 2023). Hence, the development of policies like these has led to various reforms in the PSEs which have improved the industrial performance & growth and will continue to do so in the future.

Coal industry

Coal is the most widely available fossil fuel resource and serves as the backbone of the global energy supply of the world accounting for more than 40% of the global electricity needs. It is something which is also an abundant fossil fuel in India accounting for 55% of the electricity needed by the country (CEIC, 2023). The energy consumption of the country has constantly increased because of the rising population, growing economy and a quest for a better quality of life. Indian coal serves as the major source of energy for the country where the primary energy consumption is about 350 kgoe/year (CEIC, 2023). Hence, the coal industry has been one of the key focuses of the government of the country with Coal India Limited being the core PSE which controls the production of coal in the country. The below image shows the way in which the growing energy demand of India has been met by the coal industry over the last there decades. The reforms made within the sector have greatly contributed to the growth of the industry and this further has helped in meeting the energy needs of the country. Coal India Limited is the one that has managed to create a monopoly in the market for more than 40 years while focusing on the production of coal to meet consumption demands (CEIC, 2023).

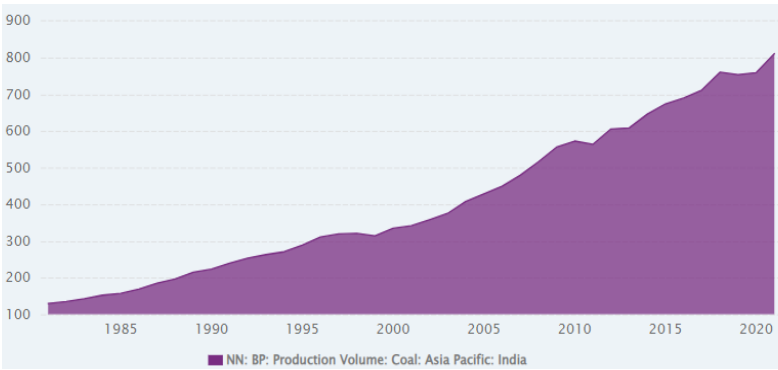
**Figure 4: Total energy supply using coal (1990-2020)**




(Source: Self-developed using data from CEIC, 2023)

Coal which is integral to meeting more than 50% of the nation's electricity demands in the present scenario has undergone significant transformation over the years. It is the most important industry in the country since it provides energy to all the industries in the country to function in an effective manner. The industry is also an important part of revenue for the country since the government of the country owns three-quarters of CIL. The below graph shows the growth within the coal industry over the years in terms of production volume.

**Figure 5: Production volume of coal in India (1980-2020)**




(Source: CEIC, 2023)

However, despite the huge reserves of coal in the country, India still has to import millions of tonnes of coal every year to meet domestic demands. India has to depend on other countries to establish a steady supply of coal and this has a significant impact on its energy needs which is affected by the reliance on imported high-quality coal (CEIC, 2023). The PSEs reforms might have aided the growth of the coal industry at a certain level but they have been unable to address the domestic demands of energy in the country. There is still a need to make proper reforms and policies with a focus on technology and regulations to make India self-sufficient in terms of coal production and energy generation.

Oil and gas industry

The oil and gas industry is one of the eight core industries that have a significant impact on the economic sectors of the country. India is the third largest oil consumer in the world and the demand for oil is growing at a steady rate of 3-4% every year (MOPNG, 2023). The demand is only going to rise in the future since the sector is directly related to the economic growth of the country. The importance of the industry for the nation is something that makes it one of the most lucrative options for investments.

**Figure 6: Production of crude oil, natural gas and petro-products**

| Year | Crude Oil Production (MMT) | % Growth in Crude Oil Production | Natural Gas Production (BCM) | % Growth in Natural Gas Production | Production of Petro-Products (MMT) | % Growth in Production of Petro-Products |
|---|---|---|---|---|---|---|
| 1960-61 | 0.45 | - | - | - | 5.78 | - |
| 1970-71 | 6.82 | 1.49 | 1.45 | 5.07 | 17.11 | 3.13 |
| 1980-81 | 10.51 | -10.71 | 2.40 | -13.36 | 24.12 | -6.48 |
| 1990-91 | 33.02 | -3.14 | 18.00 | 5.88 | 48.56 | -0.27 |
| 2000-01 | 32.45 | 1.56 | 29.48 | 3.79 | 95.61 | 20.41 |
| 2010-11 | 37.71 | 11.94 | 52.22 | 9.95 | 194.82 | 5.53 |
| 2012-13 | 37.86 | -0.60 | 40.68 | -14.47 | 217.74 | 7.15 |
| 2013-14 | 37.79 | -0.19 | 35.41 | -12.96 | 220.76 | 1.39 |
| 2014-15 | 37.46 | -0.87 | 33.66 | -4.94 | 221.14 | 0.17 |
| 2015-16 | 36.94 | -1.39 | 32.25 | -4.18 | 231.92 | 4.88 |
| 2016-17 | 36.01 | -2.53 | 31.90 | -1.09 | 243.55 | 5.01 |
| 2017-18 | 35.68 | -0.90 | 32.65 | 2.36 | 254.40 | 4.46 |
| 2018-19 | 34.20 | -4.15 | 32.87 | 0.69 | 262.36 | 3.13 |
| 2019-20 | 32.17 | -5.95 | 31.18 | -5.14 | 262.94 | 0.22 |
| 2020-21 | 30.49 | -5.21 | 28.67 | -8.05 | 233.51 | -11.19 |
| **2021-22 (P)** | **29.69** | **-2.63** | **34.02** | **18.66** | **254.31** | **8.90** |
| **CAGR 2012-13 to 2021-22 (%)** | **-2.7** | | **-2.0** | | **1.7** | |

(Source: MOPNG, 2023)

The petroleum industry of the country was launched in 1889 with the discovery of the first oil reserve in Digboi town of Assam and the gas industry was launched in the 1960s with the discovery of gas reserves in

Maharashtra and Assam. The production of crude oil stands at 29.69 MMT while the crude oil reserves are estimated at 594.69 MMT and natural gas reserves at 1339.57 billion cubic metres (BCM) (MOPNG, 2023). The government of the country has adopted various steps over the years for the growth of the oil and gas industry in order to fulfil the demands of the country. The reforms made in the sector have allowed 100% FDI in many segments of the entire sector. The below table clearly outlines the production of crude oil, natural gas and petro-products. It is quite evident that the growing demands for energy have contributed to the growth of the sector in the country.

Further, the imports of crude oil have only increased for the country over the years and the oil dependence of the country was 86.4% in 2022-23 with respect to 85.9% the previous year (MOPNG, 2023). On the other hand, India is the largest exporter of petroleum products in Asia since 2009 with the Netherlands being the third largest export destination after the US and UAE. The below table shows the export and import scenario of the country over the past two decades in this particular sector.

**Figure 7: Imports and exports of petroleum products**

| Year | Imports of Petroleum Products (MMT) | % Growth in Imports of Petroleum Products | Imports of Petroleum Products (₹ Crore) | % Growth in Imports of Petroleum Products | Exports of Petroleum Products (MMT) | % Growth in Export of Petroleum Products | Exports of Petroleum Products (₹ Crore) | % Growth in Export of Petroleum Products |
|---|---|---|---|---|---|---|---|---|
| 2000-01 | 9.27 | -44.20 | 12093 | -14.75 | 8.37 | 1021.31 | 7672 | 999.14 |
| 2010-11 | 17.38 | 18.51 | 55998 | 65.68 | 59.08 | 15.49 | 196861 | 36.06 |
| 2012-13 | 16.35 | 3.18 | 68852 | 1.12 | 63.41 | 4.23 | 320090 | 12.45 |
| 2013-14 | 16.70 | 2.10 | 75896 | 10.23 | 67.86 | 7.03 | 368279 | 15.05 |
| 2014-15 | 21.30 | 27.57 | 74644 | -1.65 | 63.93 | -5.79 | 288580 | -21.64 |
| 2015-16 | 29.46 | 38.28 | 65361 | -12.44 | 60.54 | -5.31 | 176780 | -38.74 |
| 2016-17 | 36.29 | 23.19 | 71566 | 9.49 | 65.51 | 8.22 | 194893 | 10.25 |
| 2017-18 | 35.46 | -2.28 | 88374 | 23.49 | 66.83 | 2.01 | 225388 | 15.65 |
| 2018-19 | 33.35 | -5.96 | 113665 | 28.62 | 61.10 | -8.58 | 267697 | 18.77 |
| 2019-20 | 43.79 | 31.30 | 125742 | 10.62 | 65.69 | 7.51 | 254018 | -5.11 |
| 2020-21 | 43.25 | -1.23 | 109430 | -12.97 | 56.77 | -13.57 | 157168 | -38.13 |
| **2021-22 (P)** | **42.06** | **-2.74** | **188636** | **72.38** | **62.71** | **10.47** | **331615** | **110.99** |
| CAGR 2012-13 to 2021-22 (%) | 11.1 | | 11.8 | | -0.1 | | 0.4 | |

(Source: MOPNG, 2023)

Further, it is anticipated that the energy demand of India is going to grow at a faster rate than all major economies due to the continued robust economic growth. The share of the country in the global primary energy consumption is going to double by 2035 and thus it is quite important that the nation focuses on reducing its dependency on imports. It is important to bring reforms that aid domestic production and facilitate the expansion of Indian-owned assets in the foreign market. No doubt that the reforms made have contributed to the growth of the sector but further development is required for better performance and growth in the future.

Fertilizer industry

The fertilizer is one of the eight core industries of the country with fertilizer production witnessing a positive growth in the country since 2014. India is an agrarian economy which makes it home to small and marginal farmers who require fertilizers to improve productivity and quality. This has led to the government bringing numerous reforms within the sector to make sure that fertilizers are available at affordable prices to the people of the country in order to increase productivity. The Indian fertilizer industry has played a key role in enhancing the food security in the country and the government has managed to meet almost all the demands for chemical fertilizers in the nation (Statista, 2023). India is one of the largest consumers of fertilizers in the world and the domestic demand has increased continuously. NPK fertilisers are the most common ones while urea is the one that is consumed the most in the country. However, the domestic production of urea has decreased over the years due to the closing of various urea plants and this has further given rise to the import numbers in the context of urea. Further, the Indian fertilizer has the presence of various players both public and private entities who produce a variety of fertilisers with IFFCO being the biggest manufacturer and marketer of fertilizers in the country (Statista, 2023). The importance of fertilizer for the economy of the nation can be established by the fact that agriculture is a significant contributor to the economic growth and development of the nation.

**Result and Findings**

The core industries that contribute to the overall industrial performance of the country are- steel, coal, oil and natural gas and fertilizers along with cement and electricity. However, the four mentioned industries have been analysed in the article to establish their performance over the years in light of the reforms made within the sector. It has been found that India became the second-largest manufacturer of steel in the world because of the reforms. The production and consumption of steel have increased in the country and reforms have focused on further increasing the production of steel in the country to meet the domestic demand. On the other hand, the coal industry has also witnessed significant growth over the years and some of which can be attributed to the reforms made in the PSEs. However, the coal industry is still far from self-sufficient to meet the very needs of the country leading to India having to export millions of tonnes on an annual basis. Further, the reform has helped with the growth of the oil and gas industry which holds a key place in the future growth and development of the nation. However, India still has to export a large amount of oil and gas from other countries to meet the domestic demand and something that needs to be addressed effectively for better growth and development in the future. It is very important that India is able to achieve self-sufficiency in these sectors to aid its rapid economic growth and development. Further, the fertiliser industry is another important industry considering that agriculture is an integral part of the economy. India has managed to improve the performance of this industry with the help of reforms and successfully meet the demands of the population in an appropriate manner. Overall, the reforms made have helped with the growth and development of industries in India but still, a lot needs to be done for further growth and development.

## Conclusion

The study has managed to successfully analyse and evaluate the impact that PSEs reforms have had on the industrial growth and performance in India. PSEs reforms have been key to the growth and development of various industries in the country while opening new opportunities for the market. The exports and revenues of the country have greatly been impacted by the reforms made by the government. It is quite appropriate to say that the reforms have only aided the growth and development of the industries in the country. The core industries like coal, steel, oil & gas and fertilizers have seen significant growth over the years because of the reforms made in the sector. However, the growth in some sectors has not been in line with the demand of the nation and is something that needs to be taken into consideration for future reforms and policies. It is important for the government undertake PSEs reforms that can help the nation become self-sufficient.

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