

INDIAN ECONOMIC ENVIRONMENT,401 MBA, IV semester, TOPIC- Role of Private sector in the Economic Development of India.

Role of the Private Sector

The private sector refers to all types of individual and corporate enterprises, domestic and foreign, in any field of productive activity with the intention of making a profit. The characteristic of the private sector enterprises is that their ownership and management lie in private hands the "enlightened self-interest" guides the running of private enterprises. Enterprise, initiative and strong profit motive are the most distinguishing features of private enterprise. Private enterprise with the above characteristics is an integral part of the capitalist economic system.

Since the Industrial policy Resolutions of 1948 and 1956, the distinction between the private sector and the public sector has become increasingly significant. The industrial policy has made Indian economy a mixed economy. The Industrial Policy Resolution, 1956 (which is considered as the 'economic constitution' of India) has clearly demarcated, the scope and role of the public and private sectors.

India has attempted to combine the advantages of both capitalist and socialist lines of development and in the Industrial Policy Resolutions, the Government allotted a specific role to the private sector in the field of industries. Public sector growth and planning were pursued with opportunities given to the private sector to develop and expand in certain spheres of the economy. As we noted before, private sector is prominent in agriculture and allied activities, small and cottage industries, trading and several consumer goods industries. India, being a mixed economy, has assigned a great importance on the private sector of the country for attaining rapid economic development.

The Government has fixed a specific role to the private sector in the field of industries, trade and services sector.

The most dominant sector of India, i.e., agriculture and other allied activities like dairying, animal husbandry, poultry etc. is totally under the control of the private sector. Thus, private sector is playing an important role in managing the entire agricultural sector and thereby providing the entire food supply to the millions.

Moreover, the major portion of the industrial sector engaged in the non-strategic and light areas, producing various consumer goods both durables and non-durables, electronics and electrical goods, automobiles, textiles, chemicals, food products, light engineering goods etc., is also under the control of the private sector.

Private sector is playing a positive role in the development and expansion of aforesaid group of industries. Besides, the development of small scale and cottage industries is also the responsibility of the private sector.

Finally, the private sector is also having its role in the development of tertiary sector of the country. The private sector is managing the entire services sector providing various types of services to the people in general. The entire wholesale and retail trade in the country is also being managed by the private sector in a most rational manner.

Moreover, the major portion of the transportation, especially in the road transport is also managed by the private sector. With the growing liberalisation of Indian economy in recent years, the private sector is being assigned with much greater responsibility in various spheres of economic activities.

The importance of private sector in Indian economy has been very commendable in generating employment and thus eliminating poverty. Further, it also effected the following -

- Increased quality of life
- Increased access to essential items
- Increased production opportunities
- Lowered prices of essential items
- Increased value of human capital
- Improved social life of the middle-class Indian
- Decreased the percentage of people living below the poverty line in India
- Effected increased research and development activity and spending
- Effected better higher education facilities especially in technical fields
- Ensured fair competition amongst market players

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