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7. Though Public Sector is very essential for Industries, many Public Sector Undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of Public Sector Undertakings in the light of this fact.

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At the time of Independence, India was a complete agrarian economy with weak Industrial sector, heavy unemployment and negligible savings and investment. Indian economy needed a big push & that's where the public sector came for the rescue of economy.

Public sector was considered as the driver of a self-reliant economic growth, to reduce poverty, expand employment and diversify the economy.

But there has been considerable criticism about poor performance and in some cases failure of Public Sector Undertakings. The state provides services like railways, posts, water, electricity, energy, etc., the cost of all these services has risen but the state cannot raise the prices for these services at the similar pace.

Reviews of the performance of PSUs reveals that either their profits are very low or they are making losses. But the PSUs



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play a very important role in the Indian economy in following ways:

- 1) Employment generation: Public sector enterprises provides employment to a massive number in government administration, defence, health, education, etc. enterprises owned by Centre, State & local govt. The total no. of workers employed has seen a rise over the years in organised public sector. Govt. guarantees employment through various employment guarantee schemes.
- 2) Boost in GDP: PSU's contribution to GDP has shown a steady improvements. It accounts for about  $\frac{1}{4}$ th of national output, which is a result of rapid expansion of public sector.
- 3) Fixed Capital Formation: The amount of capital employed per unit of output in public sector is far greater than private sector. A good part of public sector investment goes into economic infrastructure (road, buildings, ~~exp~~ bridges etc.) which are necessary for economic development. Also, PSU's are developing high capital intensive sectors like railways, power, oil, etc.
- 4) Developing Infrastructure: Industrialisation can be smoothly attained upon the creation



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of infrastructure such as transportation, communication, power, etc. But creation of infra. involves heavy investment, gives low yield & has long gestation period. These investments are therefore not attractive to private sector nor could they invest this heavily. So, PSUs develop infra.

5) Export Promotion :- PSUs are doing a wonderful job in export promotion in all parts of the world. Exports of Indian handicrafts, light engineering goods have been taken to new heights by efforts of PSUs. They are earning foreign exchange by increasing the proportion of output.

6) Safeguarding critical areas: PSUs have entered into a wide spectrum of industries & products like Drugs, medicines, defence, minerals, etc. These industries are strategically important as they have high linkages.

So, PSUs are a necessity of Indian economy and its performance should not just be judged on the basis of profits or revenues, rather its strategic role in various industries and on the social security aspect.

Give some current examples

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10. Brain-drain is a serious bottleneck/constraint in human capital formation on the growth process in India. Comment.

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Human Capital can be defined as the knowledge, skills & competence that individuals or groups acquire during their life & use them to produce goods, services & ideas in the economy. And Human Capital formation is the process of adding to stock of Human Capital over time.

Brain drain can cause harm for H.C.F in India. We know, that Brain-drain is a situation wherein the skilled and educated manpower migrates from a relatively backward region to advanced region offering more opportunities.

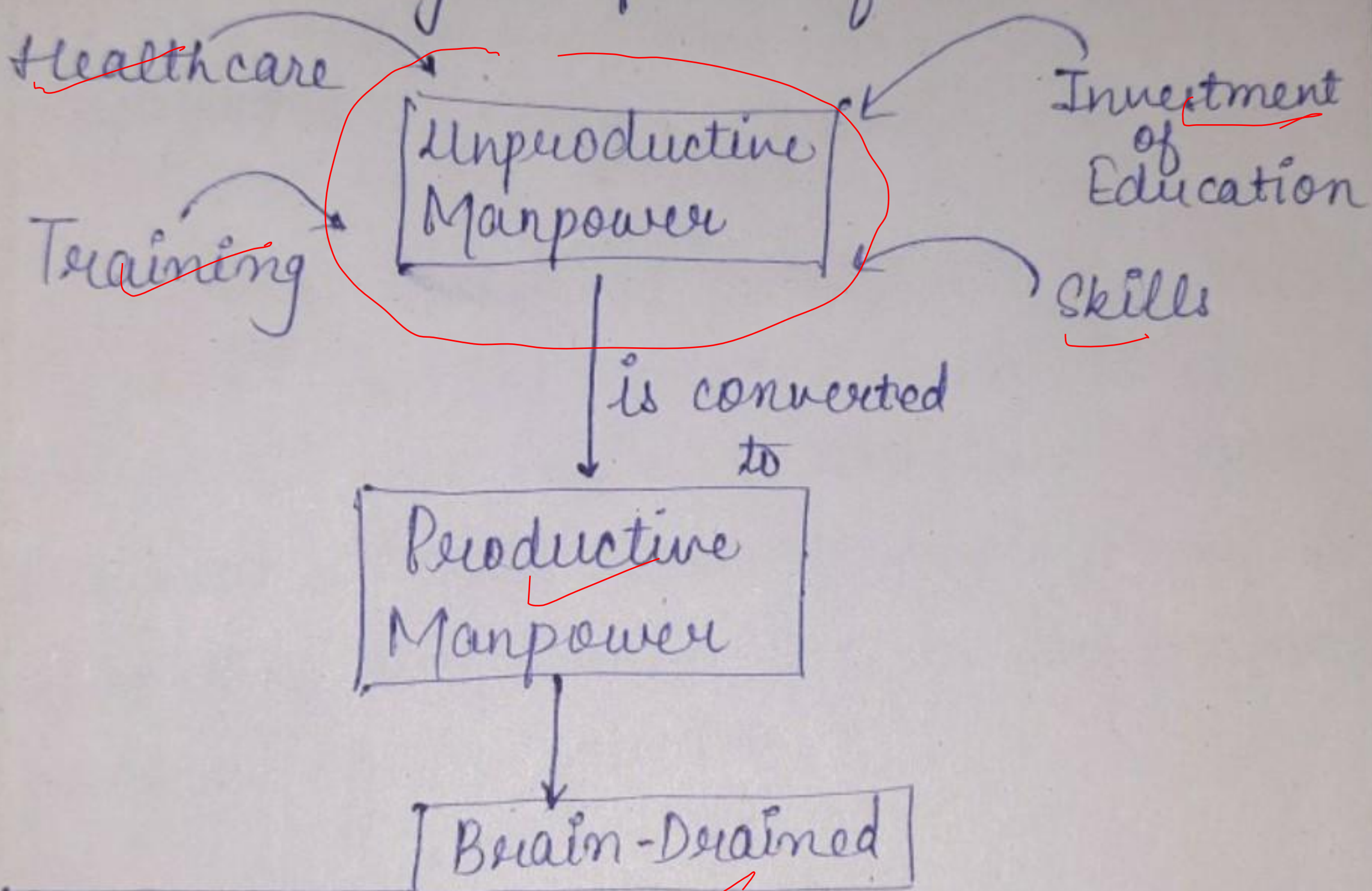
The migration can be from rural to urban or domestic to foreign country. It occurs because of the pull factors offered by the comparatively urbanized region like better salaries, growth opportunities and access to diversified facilities.

When the skilled & educated manpower of India migrate to foreign countries, they



contribute to the growth of national output of the foreign country. So, this becomes an economic loss for India in terms of loss of quality people. And also the loss of working-age population.

The following flow chart can help in understanding the process of brain-drain.

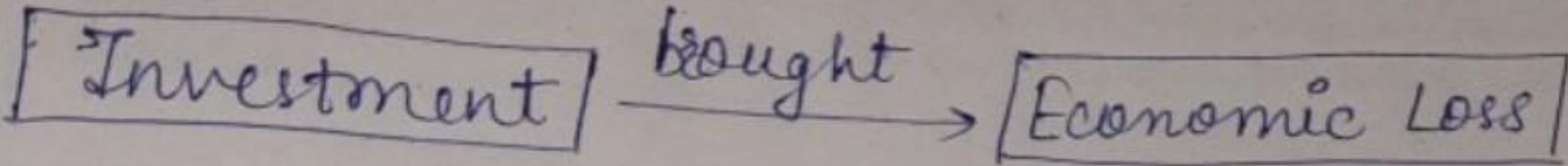


- Increase Production in Foreign country
- Pay taxes in Foreign country
- Use knowledge, skills to upgrade the foreign technology
- Incur expenditures in foreign country
- contribute in GDP growth of foreign country



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So,



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The flow chart explains how the Investment in education, health, skills and training of manpower in domestic country is proving harmful for the economy as the return of this investment is enjoyed by foreign countries.

There is a need to retain the human Capital in the country itself. It can be done by providing attractive growth prospects at all levels of employment, so that they can contribute in the economic progress of the country.

Good Analysis

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13. Discuss the Svamitva Scheme to bring financial stability to the citizens in rural India.

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Svamitva Scheme : Survey of villages and Mapping with Improrised technology in villages areas scheme was launched on the National Panchayati Raj Day (April 24).

The aim is to provide an integrated property validation solution for rural India. It is a scheme where mapping of rural land will be done using technologies like drone to create a non-disputable record.

Property card for every property in village will be prepared by states using accurate measurements delivered by drone mapping. These cards will be given to property owners & will be recognised by land revenue records department.

The scheme aims to bring financial stability to citizens of rural India by providing following benefits :

(a) The delivery of property rights through



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an official document will help villages to access bank finance, by keeping the land or property as a collateral with bank.

(b) The Panchayat will also maintain the property records for the village, this will enable them to collect the associated taxes from the property owners. The money collected can be used to build infra. & facilities.

(c) The creation of official record and settling of title disputes thereof will lead to the appreciation in the market value of the properties.

(d) The accurate records of property will not only facilitate tax collection but will also help to structure the new building plans and issuing land permits.

There was a need of this scheme as several villages don't have papers proving ownership of their



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land. This scheme is likely to become a tool for empowerment and will reduce social disputes related to land. It will also help in development of rural infra. through the money generated.

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