

THE PRIME DIRECTORY 2024

COVERING PRIMARY CAPITAL MARKET & ITS INTERMEDIARIES



India's march towards a Viksit Bharat and the role of PSEs



Atul Sobti
 Director General
 SCOPE and
 Member, Governing Body-
 ILO, Geneva

India's growth trajectory shines with remarkable vitality and promise. From being one of the 'Fragile Five', today India has emerged as an economic powerhouse, climbing to the position of the fifth largest economy and soon expected to be among the top three. With an estimated GDP growth rate of 8.2% in the prior fiscal, India has firmly established itself as a prominent player in the global economic landscape. This growth story is not just about numbers, but a testament to India's enduring spirit of becoming a powerhouse of the 21st century. Hon'ble Prime Minister, Shri Narendra Modi's vision of *Viksit Bharat 2047* aligns perfectly with the successful journey of the nation, as it envisions a future where India not only sustains economic growth, but also enhances its capabilities across various sectors through innovation, inclusive development, and global leadership.

Viksit Bharat 2047 underscores the next phase of India's journey, where sustained progress translates into tangible improvements and strengthens India's position as a global economic powerhouse

This vision underscores the next phase of India's journey, where sustained economic progress translates into tangible improvements and strengthens India's position as a global economic powerhouse.

What is a Developed Nation?

There is no universally agreed-upon definition to what a developed economy is, however, international organizations have established certain parameters which a country must fulfil in order to be categorized as a 'Developed Nation'. The Economic factors include:

- per capita income ranging between \$12,000 to \$15,000;
- a general standard of living which constitutes infant deaths of less than ten per year per 1,000 live births, along with a life expectancy of over 75 years; and
- other factors pertaining to industrialization and technological infrastructure of the country.
 - ◆ The non-economic factor includes Human Development Index (HDI) score, which measures parameters of education, health and literacy. Generally, a country with an HDI score of over 0.8 is considered to be developed.

Based on the above, a developed economy can thus, said to be a country characterized with advanced technological infrastructure, a strong industrial base, sustained economic growth and high living standards, with citizens enjoying access to quality healthcare and higher education.

Imperatives of a Developed Nation - Economic Stability, Infrastructure and Technology, Human Capital and Sustainability

Public Sector Enterprises - key ally for development and growth

As per reports, India's per capita income stands at around \$2,500 today and the country's HDI score is 0.633. It is thus imperative that for India to truly transform into a developed nation, it must make strides in diverse critical areas, which necessitates the need of a formidable ally.

Given their integral role in the nation's fabric, their demonstrated success and the financial prowess, the Public Sector Enterprises (PSEs) are uniquely positioned to lead the way. Established primarily after independence to enhance the socio-economic development of the nation, the PSEs have come a long way as their journey unfolded from a mere five at that time to 254 operating enterprises today, emerging as model entities of global recognition.

Contributing close to 14% to the country's GDP, the PSEs hold key presence in the strategic sectors of the economy, and have been demonstrating steady performance across financial metrics. This can be seen from the fact that in the prior year* the public enterprises registered a revenue of nearly Rs. 38 lakh Crore, while recording a net profit of over Rs. 2 Lakh crore, with 74% PSEs profitable. The combined net worth of the PSEs amounted to more than Rs. 17 lakh crore, with the Market Cap of only 63 listed PSEs standing over Rs. 16 lakh crore as on 31 March 2023, and as per media reports, reaching a seven-year high of 10.38% of total market capitalization as on 31 March 2024, thus, underscoring their financial robustness and their pivotal role as **catalysts of growth**.

Additionally, recognizing the imperative of staying ahead of the curve, the PSEs are undertaking substantial investment in Research & Development (R&D) initiatives to **drive technological advancement and innovation** in the country. Allocating a staggering 2% - 9% of their revenue to R&D, some PSEs emerge as primary contributors to total

R&D expenditure by the country.

Beyond their technological and economic contributions, the PSEs undertake substantial contributions towards Corporate Social Responsibility (CSR) initiatives, with their spending amounting to over Rs. 4,000 crores in one year alone. Additionally, the PSEs directly employ 1.5 million people, thereby not only enhancing employability, but also taking care of social security benefits of the workforce and ensuring the welfare and livelihoods of the workforce. The expanse of their welfare activities reaches the most remote corners as they serve as instruments of government policy in reaching underserved regions and marginalized communities, providing essential services such as healthcare, education, and clean energy solutions. This proactive role in social infrastructure development helps in reducing regional disparities and enhancing the standard of living of citizens across the nation and thus, promoting **inclusive growth and social welfare**.

While excelling in conventional areas, the PSEs are also recognizing the increasing prominence of **emerging areas in the world of work** and undertaking transformative measures to align themselves with the dynamic business landscape. The PSEs are spearheading efforts towards a resilient economy through ambitious net-zero targets, with 23 PSEs setting specific timelines for the same, and nearly 90% aiming to achieve them before 2047. Additionally, the PSEs are also undertaking dedicated plans of moving towards renewable projects and initiating new technologies.

Recognizing the potential of the country’s demographic dividend and the growing **importance of skill development**, the public enterprises are making targeted efforts to empower individuals by providing training opportunities at the workplace, adopting Industrial Training Institutes (ITIs) and implementing apprenticeship programs so as to make the youth of the country skilled and ‘job’ ready, thereby paving way for an ecosystem with enabled enterprises and empowered individuals, adept at navigating the changing world of work.

Public Enterprises leading India’s Development Vision as catalyst of growth, driver of Innovation and Technological Advancement, promoting Inclusive Growth and Social Welfare and undertaking initiatives in Emerging Domains of climate change mitigation and skill development

Role of PSEs in India’s journey to a Viksit Bharat

The comprehensive and multifaceted efforts undertaken by the PSEs are a testament of the vital role of these entities to lead the country forward. To uphold their role as key drivers in realizing a developed and prosperous India, the PSEs must integrate four pillars to further strengthen their contributions to the nation:

The Synergy Effect

As strong pillars of support to the nation, the PSEs bear the responsibility of propelling collective progress. To fulfil this mandate effectively, the enterprises should actively seek synergies within the corporate sector, which enables enhancing their outreach, scaling innovations, and optimizing utilization of resources, thereby, fostering robust collaboration and driving holistic growth of the nation.

Tech Forward

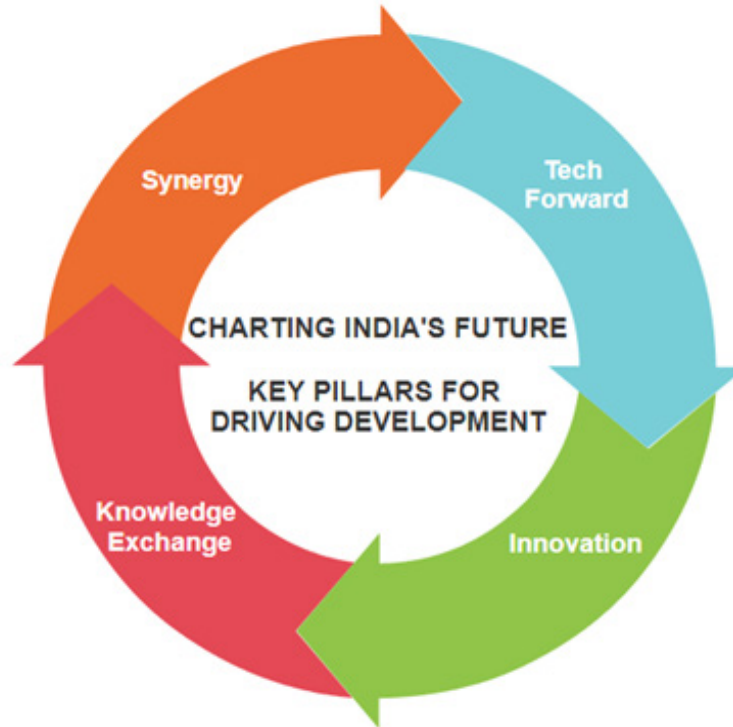
While PSEs have demonstrated proficiency in digital alignment, the next phase involves embracing cutting-edge technologies such as Machine Learning, Generative Artificial Intelligence (Gen AI), and Robotics, among others. Integrating these technologies into business processes is essential not only for keeping pace with the latest advancements but also for enhancing operational efficiency and systematic adoption of emerging technologies, will not only reinforce technological supremacy, but will also result in optimizing processes, and enable PSEs to navigate the evolving business landscape effectively.

Innovation Unleashed

Aligned with the vision of the Hon’ble Prime Minister’s call for “Jai Jawan, Jai Kisan, Jai Vigyan, Jai Anusandhan”, the evolving business landscape underscores the need for increased investment in Research & Development (R&D) initiatives. Although certain PSEs currently allocate a higher percentage of their revenue to R&D as compared to the national percentage spending of less than 1%, there is avenue for further advancement in this area. This presents an opportunity for PSEs to enhance their investments in R&D, thereby providing the essential impetus for economic growth, technological advancement, and bolstering the nation’s global competitiveness; while also supporting innovation and ensuring that India remains at the forefront of emerging technologies and solutions.

Power of Knowledge Exchange

Acting as a vital bridge between the Government and other stakeholders within the ecosystem, PSEs have a unique opportunity to harness their role in promoting the exchange of best practices and facilitating experience sharing among corporate sectors. This practice will not only encourage interaction and collaboration but also will also cultivate a platform for meaningful deliberation. By fostering such exchanges, PSEs can contribute significantly to creating value that will positively impact all stakeholders involved in the ecosystem.



These pillars will serve as a guiding framework for the public enterprises to undertake targeted efforts to accelerate the advancement of the nation, ensuring a future where prosperity and opportunity are accessible to all.

Public Sectors - the key to propel *Viksit Bharat*

With nation building at its core, the Public Sector stands at the forefront of India's pursuit towards a *Viksit Bharat*. Its forward-thinking strategies, coupled with robust governance and a commitment to sustainability, underscores its enduring significance in propelling the nation forward. As pioneers of economic resilience and architects of societal progress, PSEs forge a path towards a future where India thrives and stands as a beacon of prosperity and innovation for the world and in this journey, they will emerge stronger and competitive making new records of performance while ensuring social growth and justice of all strata of the society. This 'core' socio-economic value of PSEs makes them veritable cornerstones of the Indian economy that will continue to canvass India's growth story.

India stands as a bright spot in the world economy today and the Public Sector with nation building at its core stands at the forefront to lead the country to *Amrit Kaal* marked by social equity, development and holistic growth

* Financial Year 2022-23