

# Assessing the Role of Private Sector in the Growth of Indian Economy

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**Abstract – The private sector is actually playing a crucial role in the Indian economy. The significance of this sector at the economy of the nation may be visualized from the reality that it contributes to the main part of national income and employment. As a result, even after creating an enormous volume of investments in the public sector and finishing much more than fifty years of preparation, the Indian economy remains broadly depending on the private sector. The paper appears at the contribution of the private initiatives to commit as well as try to get materials in a globalized world and also the difficulties that it faces in realizing the full potential of its. It notes the benefits of economic diplomacy in an interdependent environment as well as places India's projects for exactly the same in perspective.**

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## 1. INTRODUCTION

The private sector is crucial to economic development as well as poverty reduction, however, it can't and doesn't act by itself. The government plays a central role in supporting economic development and reducing poverty. It has to offer a policy that is good, powerful institutions and cost-efficient public goods as well as services to make certain the private sector is able to flourish as well as the advantages of progress access all citizens. Along with building as well as prosecuting policies that promote growth, governments should also commit to create as well as sustain the institutions which implement, oversee as well as regulate those policies. This's the enabling setting which encourages the private sector to commit. The great bulk of constraints to development displaying the private sector are directly connected to government choices as well as action. The government's legislative choices and policy determine to a significant amount the scale as well as the quality of economic growth as well as the private sector's role in it. The unit of an open, export-orientated economy with a flourishing private sector provides developing nations the very best chance of improving prosperity as well as living requirements. The provision of public goods is actually a major determinant of quality of life for communities and individuals and, hence, the attractiveness of a nation to private investment. It's in government's interest to market development that benefits the poor. This not merely improves community stability, it raises the capability of the very poor to contribute and thereby additionally boosts economic development.

Even though the value of the private sector to economic development is definitely recognized, until very recently, private sector actors weren't seen as

development actors. Being a result, these were usually addressed as a second thing to consider in phrases of prospective automobiles of development financing and also in terms of energy sources of input and ideas in development debates & policies, in comparison with the main and much more established group of actors: recipient governments and multilateral and bilateral development agencies. Nevertheless, attitudes regarding development actors have been shifting. Policy discussions are today frequently addressing the job as well as the value of various other actors in development, which includes private enterprises, worldwide funds & foundations, and people.

## 2. CONTRIBUTION OF PRIVATE SECTOR

Contributions of the Private Sector are actually Listed Below:

### 1. Most Important Sector:

In spite of the big improvement of the public sector throughout the program phase, the benefits of the private sector are actually huge in the Indian economy. On the foundation of the most recent data readily available for the country's manufacturing development.

### 2. Employment Generation:

The private sector plays a dominant role in producing employment possibilities within the country. An enormous selection of large scale, small scale, cottage scale devices is actually within the command of private sector. It proves that tiny scale, as well as cottage scale industries, contribute 4 times more employment within compare to big scale industries.

### 3. *Helpful for Development:*

Based on Schumpeter private sector plays a dominant role in economic development. It improves the task of industrialization. All the private business owners are actually worked for-profit motive. They really played a leading role in the launch of new commodities, new strategies of production, new plants equipment's and types of machinery. The private entrepreneur has revolutionary ideas & usually modifies the entire technique of production. Following the launch of the new manufacturing policy in 1991, the private sector leads a crucial role in the country's industrial development.

### 4. *Contribution to Agriculture:*

India is actually an agro-based economy. The share of farming and its allied activities as fishing, poultry, cattle rearing, animal husbandry, dairy farming etc. to the national income is almost twenty-two %. On the flip side, approximately sixty % of the entire working population is interested in this specific place. Hence, this huge agricultural sector is managed through the private sector.

### 5. *Contribution to Industry:*

Based on the 1956 resolution, "industries creating intermediate goods as well as machines may be set up in the private sector." A significant amount of ultra-contemporary industries are actually built within the command of the private sector. This has a number of consumers' great industries as high sugar business, edible oil sector, textile industry, the newspaper business, take out as well as the spice industry or perhaps semi-finished food industries.

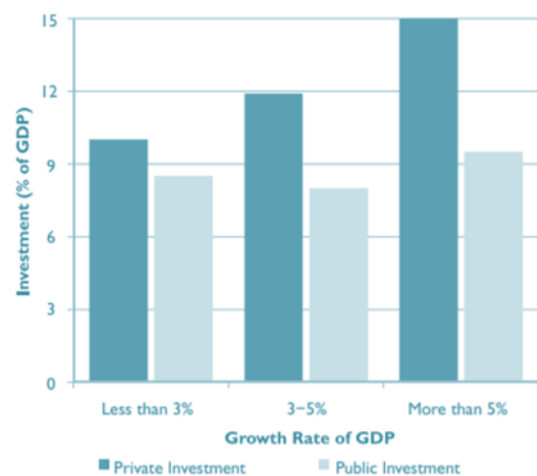
### 6. *High Potentiality:*

The majority of the tiny scale, as well as cottage scale industries, are utilizing labor intensive technologies, they produce substantial employment opportunities. These industries are owned and operated by private sector. Approximately eighty % of the entire working forces are used in both organized or perhaps unorganized private sector devices. The private sector contributes around three fourth of the country's national income. Additionally, this sector additionally plays an important role to raise gross domestic saving (GDS) and gross domestic capital formation (GDCF) to the economy.

## 3. RESPONSIBILITY OF THE PRIVATE SECTOR IN MODERN SOCIETY

For many years, debates about the responsibility of the private sector of modern society have been happening in the private sector. Beginning from an argument of Milton Friedman (1970) that the sole task of the company is actually increasing its shareholders' profit to the argument that views companies as societal institutions that have an

obligation to help the wellbeing of the society. Regardless of the minimal effect as well as the scale of the private sector towards low-income communities, the second argument led to methods of corporate social responsibility (CSR) in recent years. In addition, private sector gains in effective likely don't come at the cost of insecure groups, earnings or maybe aggregate employment. Unskilled employees are a significant contributor to employment development connected with innovation and add far more to employment development for the process as well as product innovators than for non-innovators. Much more precisely, a ten percent increase in the share of unskilled workers is actually related to an employment growth rate which is nearly one percentage point higher; other items equal.



**Figure 2. Economic Growth and Private Investment in Developing Countries**

The private sector is able to help the achievement of SDG through (a) indirectly - increasing aggregate income and producing of wealth; (b) immediately - creating provision and employment for the very poor on inexpensive goods as well as services, and (c) increasing tax yields by advertising rule-based devices of exchange. The advantages of private participation in obtaining development objectives could be considerably improved in 3 ways: (a) attracting private participation of the delivery of services and goods will improve operational effectiveness as well as coverage; (b) by utilizing the private sector to create services on behalf of the public sector; and (c) by utilizing the private sector as a partner in environmentally and socially responsible development.

## 4. THE ROLE OF THE PRIVATE SECTOR IN ECONOMIC GROWTH AS WELL AS POVERTY REDUCTION

Achieving huge as well as sustainable economic development is actually complicated and context unique. One factor is actually clear - the engine of growth, regardless of what country, will be the private sector. The private sector drives efficiency as

well as participation which drives economic development. The private sector's role that is vital in economic growth in developing countries is currently properly established. The private sector:

- generates ninety percent of work
- funds over sixty percent of investments in developing countries
- contributes greater than eighty percent of government revenue in middle-income and low nations via business taxes, resource rents and income tax on employees
- provides an ever-increasing share of important services like banking, telecommunications, education and health
- invents, designs and also has the majority of the goods as well as services that the very poor use and that drive an economy
- the dominant producer of exports in nearly every economy.

Self-employment or maybe securing a wage or perhaps income is among the most crucial elements in escaping poverty and it is regularly identified by the very poor as the crucial ingredient to exiting poverty. As the private sector begins to develop as well as make the changeover out of casual to specialized employment, it's vital that you have supportive safeguards in place. These include audio authorized institutions plus solutions which encourage good employment as well as safety, particularly for marginalized or even often exploited areas of the workforce. The scale as well as the diversity of the private sector running in a nation strongly influences overall monetary flows to the economy. Private funding, from remittances and investments, has grown considerably within the last decade, reducing ODA to an ever decreasing share of worldwide development finance. It has resulted in the private sector has an improved impact on exactly how economies are formed as well as designed. This particular effect spans the forms of goods & services being produced, the geographic area where creation is actually taking place as well as the infrastructure (hard and soft) being constructed to allow for this generation. It's additionally well-developed that higher private funding is actually related to faster-growing economies.

The options of governments also can motivate or even discourage the flow of private investment into an economy. In certain instances, bad policy options are able to exacerbate under-investment by the private sector in underserved or poorer areas when it undermines crowds or competition out of private sector investment. This could stifle entrepreneurial activity, job development as well as sector

development, which unavoidably limits progress & poverty reduction potential to an economy.

## 5. CONCLUSION

exclusively recently that the private sector has arguably are available to be viewed as central to development initiatives, and that the complete range of activities plus actors connected with the "private sector" started to be completely considered as part of development methods. An additional crucial struggle that the private sector faces while adding to economic diplomacy is actually the disconnect between economic interest as well as political diplomacy. With the arrival of economic reforms in India, the demand for merging different ministries has been experienced. Meanwhile, the procedure may be made effective by making inter-ministerial cooperation smooth.

The role played by the private sector in adding to India's economic diplomacy is hence considerable however for these initiatives to change into material gains, there's a need to get over these challenges.

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