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Changing Industrial Profile of India: An Analysis of the Evolving Role of Public, Private and Cooperative Sectors

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Abstract:

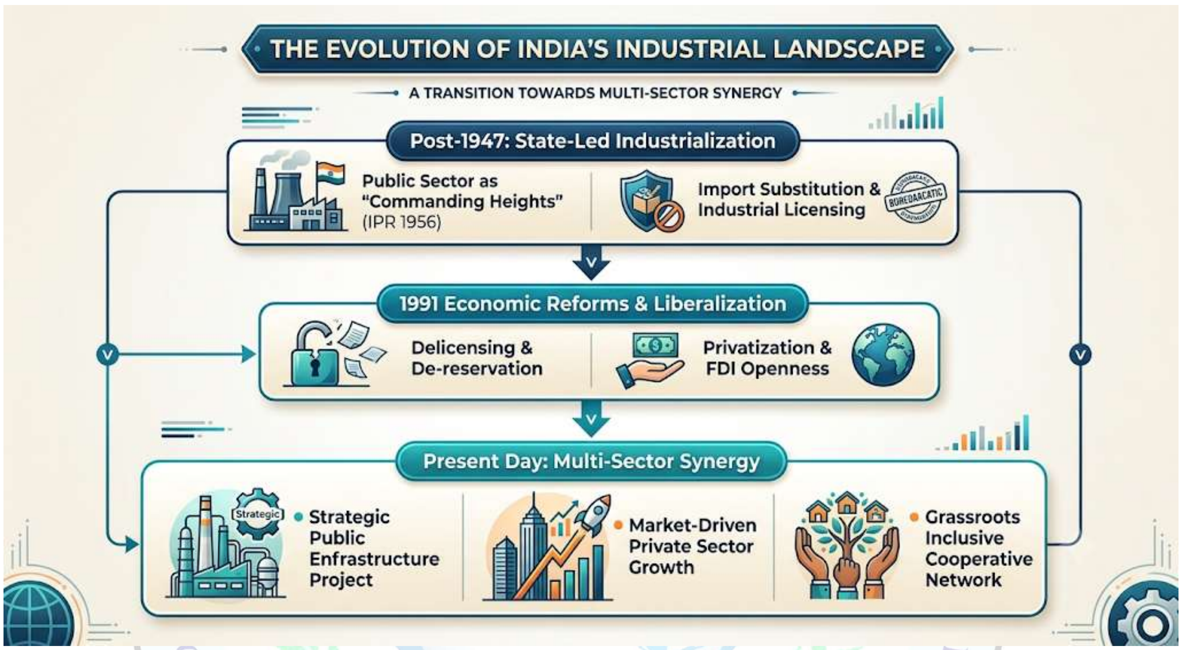
India's industrial structure has undergone a dramatic transformation since independence in 1947. The post-independence economic framework, guided by state-led planning and the Industrial Policy Resolution of 1956, positioned public sector enterprises at the "commanding heights" of the national economy. However, structural inefficiencies, balance-of-payments challenges, and shifting global economic paradigms catalyzed the landmark Economic Reforms of 1991. These reforms initiated deregulation, foreign direct investment (FDI) liberalization, and strategic privatization, enabling the private sector to emerge as the primary engine of capital formation, technological innovation, and industrial output. Simultaneously, the cooperative sector evolved as a vital mechanism for inclusive rural growth, establishing robust value chains in dairy, sugar, textiles, and credit provision. Utilizing secondary empirical data from official government publications—including the Public Enterprises Survey (2023–24), the Annual Survey of Industries (ASI), Ministry of Cooperation statistics, and Reserve Bank of India reports—this paper analyzes the structural shift across the public, private, and cooperative sectors. The findings demonstrate a transition from state-centric industrialization toward a market-driven, multi-sectoral ecosystem where Central Public Sector Enterprises (CPSEs) retain a strategic role in national security and infrastructure, while private capital drives high-tech and manufacturing growth, and cooperatives foster equitable rural development.

Keywords: *Industrial Profile, Public Sector Enterprises, Private Sector Expansion, Cooperative Sector, Industrial Policy, Liberalization, India.*

1. INTRODUCTION:

Industrial policy in India has consistently reflected the broader socio-economic priorities of the state. Following independence, Indian economic planners adopted a mixed-economy model within a socialistic framework (Ahluwalia, 2002). The Industrial Policy Resolution (IPR) of 1956 institutionalized state dominance, dividing industries into three schedules and reserving core infrastructure, capital goods, and heavy manufacturing exclusively for the public sector. Public Sector Undertakings (PSUs) were tasked with achieving balanced regional growth, self-reliance, and large-scale employment generation (Kohli, 1989).

By the late 1980s, state-led industrialization faced structural bottlenecks, including capital inefficiency, fiscal deficits, and low productivity growth. The New Industrial Policy of 1991 marked a fundamental policy departure through the deregulation of industrial licensing, reduction of sector reservations for public enterprises, and the introduction of foreign trade and investment liberalizations (Panagariya, 2008).



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Over the past three decades, this reform trajectory transformed India's industrial landscape into a multi-tiered ecosystem:

1. **The Public Sector** shifted from operational market dominance to strategic management of core infrastructure, energy security, and defense.
2. **The Private Sector** expanded rapidly across organized manufacturing, technology-driven enterprises, and service integration.
3. **The Cooperative Sector** consolidated its role as an economic bridge between rural primary producers and national commercial markets.

2. OBJECTIVES OF THE STUDY:

1. To analyze the historical transformation and structural evolution of the public, private, and cooperative sectors in India's industrial economy.
2. To compare the relative contributions of these three sectors to industrial value addition, employment generation, capital formation, and innovation.

3. To evaluate the impact of post-1991 policy interventions, strategic disinvestment policies, and modern sectoral integration initiatives (e.g., Make in India, PACS computerization, Defense Private Participation).
4. To identify key policy implications for strengthening multi-sectoral synergies in support of sustainable economic growth.

3. METHODOLOGY:

This study utilizes a descriptive, quantitative, and analytical research design based on secondary empirical data. Information was compiled from official government surveys, ministerial reports, and institutional databases spanning the post-liberalization period through FY 2023–24:

- **Department of Public Enterprises (DPE):** *Public Enterprises Survey 2023–24* data on CPSE count, net profits, foreign exchange earnings, and R&D expenditures.
- **Ministry of Statistics and Programme Implementation (MoSPI):** *Annual Survey of Industries (ASI) 2022–23 & 2023–24* regarding manufacturing output, employment, fixed capital, and gross value added (GVA).
- **Ministry of Cooperation:** Statistical metrics on Primary Agricultural Credit Societies (PACS), cooperative sugar factories, and dairy cooperatives.
- **Reserve Bank of India (RBI):** *Handbook of Statistics on the Indian Economy* for sectoral investment trends and credit flows.
- **Department of Defence Production (MoD):** Defense manufacturing volume data and private-public share metrics.

4. ANALYSIS AND DISCUSSION:

4.1 Changing Role and Paradigm Shift of the Public Sector

The public sector served as the foundational pillar of India's post-independence industrialization. CPSEs established basic capital goods capacity—such as steel, heavy machinery, power generation, and mining—where private investment was limited by high risk and long gestation periods (Kennedy, 2014).

Following the 1991 reforms, state policy evolved from market protection toward market discipline, disinvestment, and managerial autonomy via Maharatna, Navratna, and Miniratna designations. Under the *Atmanirbhar Bharat* policy framework (2020), the government instituted a revised Public Sector Enterprise Policy, classifying sectors into **Strategic** (Atomic Energy, Space, Defense, Transport, Power, Petroleum, Coal, Minerals, Banking/Financial) and **Non-Strategic** areas, with an explicit goal of minimizing public sector presence in non-strategic commercial lines.

According to the *Public Enterprises Survey 2023–24* (Department of Public Enterprises, 2025):

- **Financial Performance:** Net profit of operating CPSEs reached ₹3.22 lakh crore in FY 2023–24 (up from ₹1.02 lakh crore in FY 2019–20). Out of 272 operating CPSEs, 212 reported a total net profit of ₹3.43 lakh crore.

- **Concentration:** Profitability remains concentrated, with the top 10 profit-making CPSEs (led by Oil & Natural Gas Corporation Ltd. and Indian Oil Corporation Ltd.) accounting for 61.58% of aggregate CPSE net profit.
- **Value Addition & R&D:** Total Value Addition by CPSEs expanded by 22.18% year-on-year to ₹9.33 lakh crore in FY 2023–24. R&D expenditure grew by 49.50% to ₹10,813 crore, driven by industrial leads such as Indian Oil Corporation and Hindustan Aeronautics Limited.

CPSE Value Addition (FY 22-23 vs FY 23-24)

| FY 2022-23 | ₹7.64 Lakh Cr |

| FY 2023-24 ₹9.33 Lakh Cr |

4.2 Expansion and Dominance of the Private Sector

The dismantling of the License-Permit Raj, reduction in import tariffs, relaxation of Foreign Direct Investment (FDI) ceilings, and implementation of the Goods and Services Tax (GST) accelerated private sector growth.

Data from the *Annual Survey of Industries (ASI)* indicates that the registered organized manufacturing sector is dominated by private corporate entities, which account for over 80% of total operating factories, over 75% of fixed capital investment in manufacturing, and the majority of organized industrial employment (MoSPI, 2024).

Private enterprise expansion has been driven by several structural factors:

1. **Capital Accumulation:** Corporate investment surged in high-growth sectors including automotive, pharmaceuticals, telecommunications, information technology, and renewable energy.
2. **Global Integration:** Indian private firms integrated into global value chains (GVCs), adopting international quality standards and expanding exports.
3. **Ecosystem Modernization:** Initiatives like *Make in India*, Production Linked Incentive (PLI) schemes across 14 manufacturing sectors, and corporate tax rationalization (to an effective rate of 22% for existing and 15% for new manufacturing entities) strengthened private capital expenditure.

4.3 The Cooperative Sector: Instrument for Inclusive and Rural Industrialization:

While the public and private sectors dominate urban and capital-intensive heavy industries, the cooperative sector plays a central role in rural industrialization, agrarian value addition, and democratic capital distribution (Vaidyanathan, 2013). Cooperatives operate on mutual benefit, distributing financial surplus based on patron usage rather than equity capital share.

Cooperative Architecture

Credit Institutions	PACS (Primary Agricultural Credit Societies)
Agro-Processing	Dairy Cooperatives (AMUL) & Cooperative Sugar
Supply & Marketing	IFFCO/KRIBHCO (Fertilizers), Weaver Societies

Major economic nodes within the Indian cooperative sector include:

- **Dairy Industry:** The "Anand Pattern" dairy cooperative model evolved into a major agro-industrial network. Amul (Gujarat Cooperative Milk Marketing Federation) processes millions of liters daily, providing direct market linkage to over 3.6 million rural producers.
- **Sugar Industry:** Cooperative sugar mills—predominantly situated in Maharashtra, Uttar Pradesh, and Karnataka—account for a significant portion of national sugar output, driving rural capital formation and cogeneration power projects.
- **Fertilizer & Inputs:** Cooperatives such as the Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Krishak Bharati Cooperative Limited (KRIBHCO) manufacture a large share of India's indigenous nitrogenous and phosphatic fertilizers.
- **Institutional Modernization:** The creation of the Ministry of Cooperation in 2021 launched national programs to computerize over 63,000 Primary Agricultural Credit Societies (PACS), establishing them as multi-service centers engaged in storage, distribution, and local enterprise.

4.4 Comparative Evolution and Sectoral Dynamics

To evaluate the changing structural metrics across the three sectors, **Table 1** contrasts their fundamental features, operational scopes, and post-reform trends.

Table 1: Structural Comparison of Industrial Sectors in India

Parameter	**Public Sector (CPSEs)**	**Private Sector**	**Cooperative Sector**
Primary Ownership Structure	Central/State Governments (51\% Equity)	Private Individuals, Domestic & Foreign Shareholders	Democratic Producer/Consumer Members
Core Objective	Strategic Security, Public Utility & Balanced Development	Capital Growth, Market Share & Profit Maximization	Member Welfare, Equitable Growth & Value Addition

Pre-1991 Role	Dominant ("Commanding Heights", Reserved Sectors)	Heavily Regulated, Restricted Licensing	Regional Support (Agro-processing & Rural Credit)
Post-1991 Role	Strategic Consolidation, Disinvestment & Regulation	Primary Driver of Output, Innovation & FDI	Integrated Rural Value Chains & Agro-Processing
Employment Impact	High Quality/Capital Intensive; Decreasing Direct Share	High Total Absorption; Dominant in Services & Manufacturing	High Inclusive Absorption; Rural & Informal Linkages
Capital Sourcing	Budgetary Allocations, Reinvested Earnings, Public Bonds	Equity Markets, Venture Capital, Commercial Banks, FDI	Member Shares, Retained Earnings, NABARD/Cooperative Credit
Key Operational Areas	Defense, Petroleum, Power, Atomic Energy, Railway Logistics	Automotive, IT, Pharma, Consumer Goods, Electronics	Dairy, Sugar Processing, Fertilizers, Rural Credit

4.5 Emerging Industrial Trends: Public-Private-Cooperative Synergies

The modern industrial landscape shows decreasing sectoral isolation and increasing collaborative integration across sectors:

1. **Public-Private Partnerships (PPPs):** Infrastructure development—including highways, port operations, airport modernization, and renewable energy parks—relies on PPP frameworks to combine public asset allocation with private operational efficiency.
2. **Defense Industrial De-reservation:** Defense manufacturing, traditionally reserved for Defense Public Sector Undertakings (DPSUs), has opened to private defense manufacturers. According to Department of Defence Production data, private sector production reached ₹33,979 crore (22.56%) out of a total record defense production of ₹1,50,590 crore in FY 2024–25 (Ministry of Defence, 2025).

Defense Production Share FY 2024-25 (Total: ₹1.50 Lakh Cr)

| DPSUs & Ordnance Factories: 77.44% |
| Private Sector Production: 22.56%

3. **Cooperative-Private Integration:** Modern agro-industrial supply chains link rural producer cooperatives with private retail networks, fast-moving consumer goods (FMCG) corporations, and digital e-commerce platforms.

5. FINDINGS:

1. **Re-alignment of the Public Sector:** The public sector has transitioned from a general commercial manufacturer to a strategic operator focused on defense, energy independence, mining, and heavy transportation infrastructure. CPSE efficiency and profitability have improved following capital allocation discipline, with net profits reaching ₹3.22 lakh crore in FY 2023–24.
2. **Dominance of the Private Sector in Output and Employment:** Private enterprise serves as the main engine of organized manufacturing value addition, capital investment, and technological integration. Liberalization, PLI incentives, and regulatory simplification have expanded private enterprise into complex capital-goods industries such as defense, aerospace, and electronics.
3. **Resilience of the Cooperative Sector in Agrarian Value Chains:** The cooperative sector remains essential for equitable rural economic development. Cooperatives retain high market shares in dairy, sugar processing, and rural credit distribution, benefiting from institutional modernization initiatives like PACS computerization.
4. **Transition to a Hybrid Industrial Model:** India's industrial model has evolved into a hybrid structure where the public sector provides foundational infrastructure and regulatory stability, the private sector drives technology and market expansion, and the cooperative sector ensures socio-economic distribution and rural integration.

6. POLICY IMPLICATIONS AND FUTURE OUTLOOK:

To sustain industrial growth while addressing equity and environmental objectives, policy planning should focus on three priorities:

- **Strengthening Governance in CPSEs:** Maintain professional management autonomy, encourage strategic R&D expenditures (building on the ₹10,813 crore invested in FY 2023–24), and execute disinvestment transparently without compromising strategic energy or defense assets.

- **Facilitating MSME-Private Integration:** Enhance credit accessibility, technology adoption, and supply-chain links for Micro, Small, and Medium Enterprises (MSMEs) feeding into larger private manufacturing hubs.
- **Professionalizing Cooperatives:** Strengthen capital management, democratic governance, and modern digital logistics within agricultural cooperatives to help them compete effectively against consolidated corporate competitors.

7. CONCLUSION:

India's industrial profile has undergone a structural transformation over the past seven decades. The state-dominated model established after independence laid the basic industrial foundation, while post-1991 market reforms enabled private enterprise to lead economic expansion, investment, and global integration. Simultaneously, the cooperative sector expanded to provide market access and credit for rural primary producers.

Rather than operating in isolation, the contemporary Indian industrial strategy relies on complementary roles across all three sectors: a streamlined public sector maintaining strategic stability, a competitive private sector driving technology and market growth, and an updated cooperative sector supporting inclusive economic development.

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