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# ROLE OF STATE-OWNED ENTERPRISES (SOEs)

State-Owned Enterprises (SOEs) are considered as strategic actors of the economy and have contributed significantly in nation-building and societal value creation since independence

Sustainable economic growth with social perspective



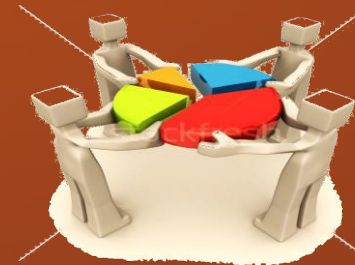
Self-reliant economic growth



Balanced regional development



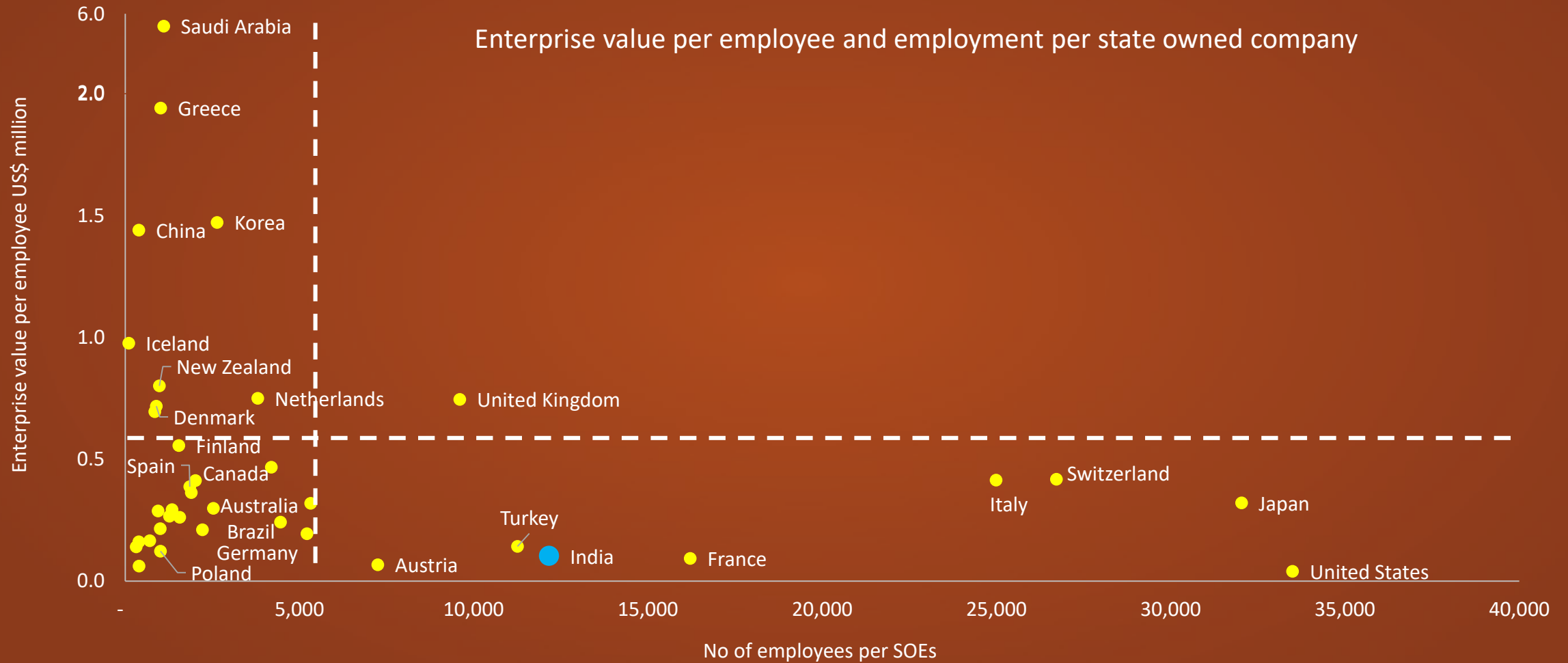
Promote redistribution of income/wealth



*Note: SOEs are the public sector enterprises, excluding banks and insurance*  
*Source: D&B Analysis*

# WHERE DOES INDIAN SOEs STAND GLOBALLY?

Globally, SOEs have always been doing better in terms of contribution to social value creation. However, UK has been able to achieve both in terms of social and monetary value creation



Source: OECD, Data is for 2015

# CONTRIBUTION OF INDIAN SOEs TO US\$ 5 TRILLION ECONOMY

Being the strategic players SOEs need to start increasing their financial contribution and meet the target of contributing to 10% to India's GDP by FY25 from the current of around 5%

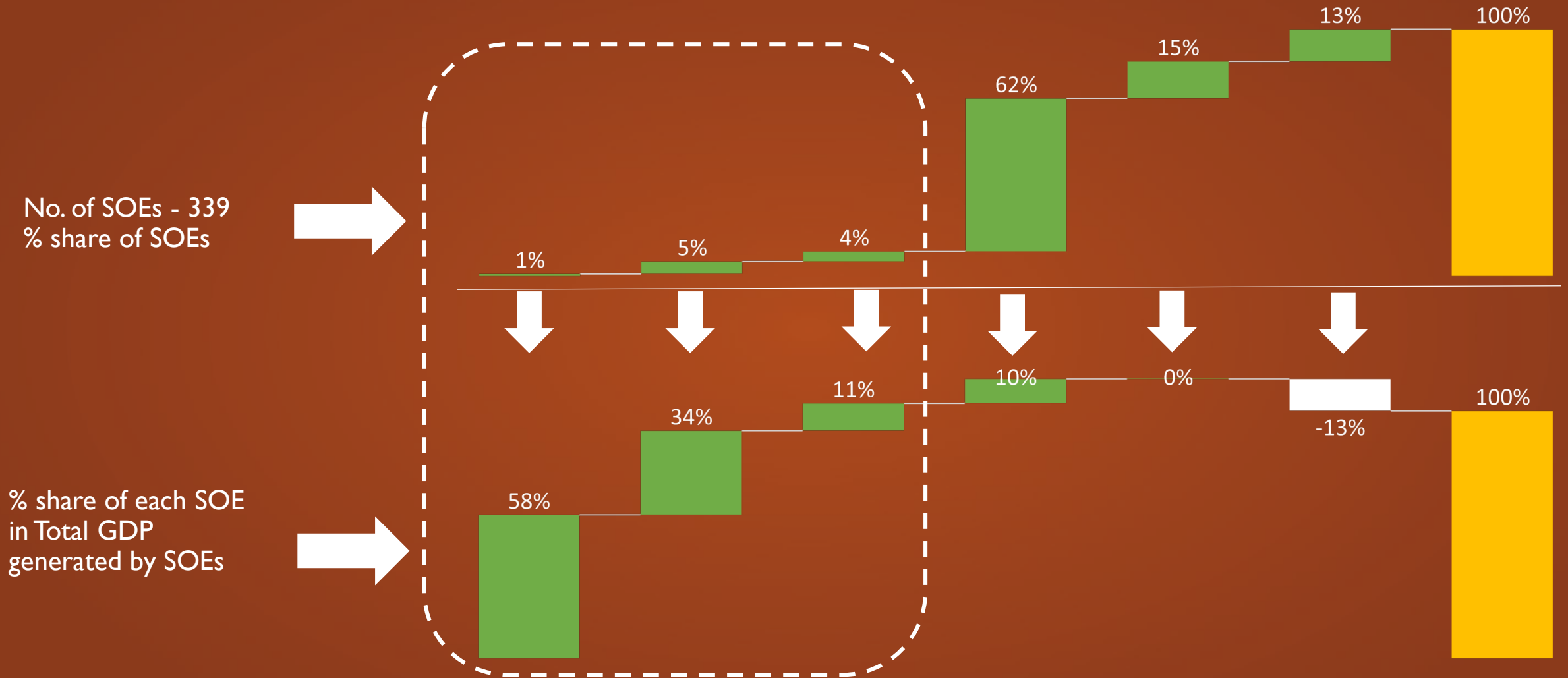
SOEs contribution to India's GDP



Note: GDP Contribution data is for 339 SOEs. Excludes banks and insurance companies. GDP per company is the summation of PAT, wages, rent, interest and depreciation  
Source: Department Of Public Enterprises

# CONCENTRATION OF CONTRIBUTION TO GDP

Only 10% of the SOEs have more than 100% share in overall SOEs contribution to GDP. The contribution from others must increase

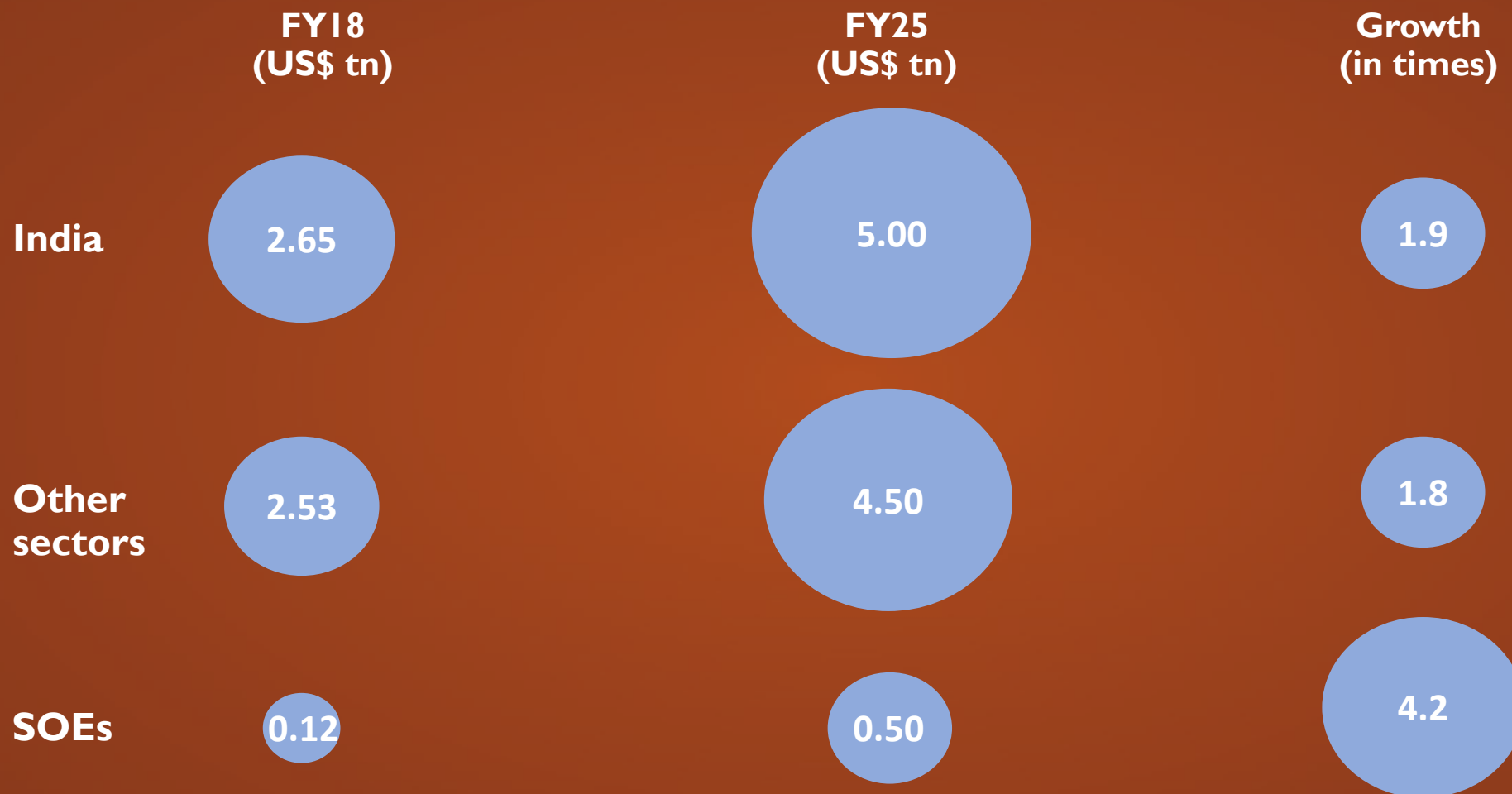


Note: GDP Contribution data is for 339 SOEs. Excludes banks and insurance companies.

Source: Department Of Public Enterprises

## GROWTH OF CONTRIBUTION BY SOEs AND OTHER SECTORS

By FY25, contribution of SOEs has to be 4.2 times the current level while contribution by the rest of the economy has to be only 1.8 times the current level



*Note: GDP Contribution data is for 339 SOEs. Excludes banks and insurance companies.*

*Source: RBI, MOSPI, Department Of Public Enterprises*

# AREAS TO STRENGTHEN FOR SOEs TO CREATE A HOLISTIC ECO-SYSTEM TO BENEFIT THE NATION

SOEs over the years played a critical role in the development of the nation. Now, SOEs are required to create a holistic eco-system to benefit the nation, in terms of monetary and societal value creation and also helping the MSMEs to grow. Various research and the Government has highlighted areas for SOEs to strengthen, 4 broad areas stand out. While SOEs are doing well in some areas, there is scope for improvement in others

## PERFORMANCE



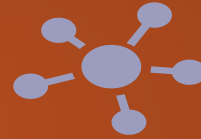
- **Consistency**

## PROCESS



- **Transparency & Accountability**
- **Resource Governance**

## PROCUREMENT



- **MSMEs**

## PREPARE

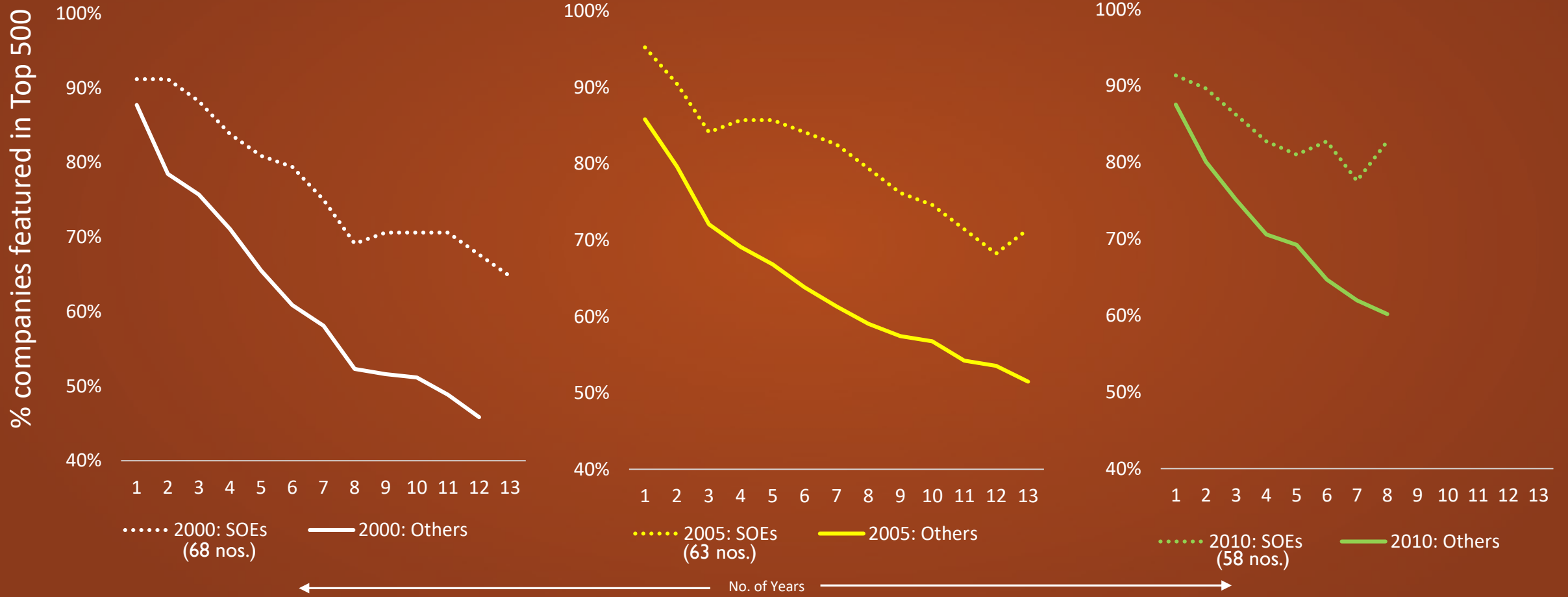


- **Tech Disruption**

# PERFORMANCE

When we look at the performance of the Top 500 companies (based on Income), the SOEs have demonstrated a steady performance as compared to the private sector

## Consistency in Performance



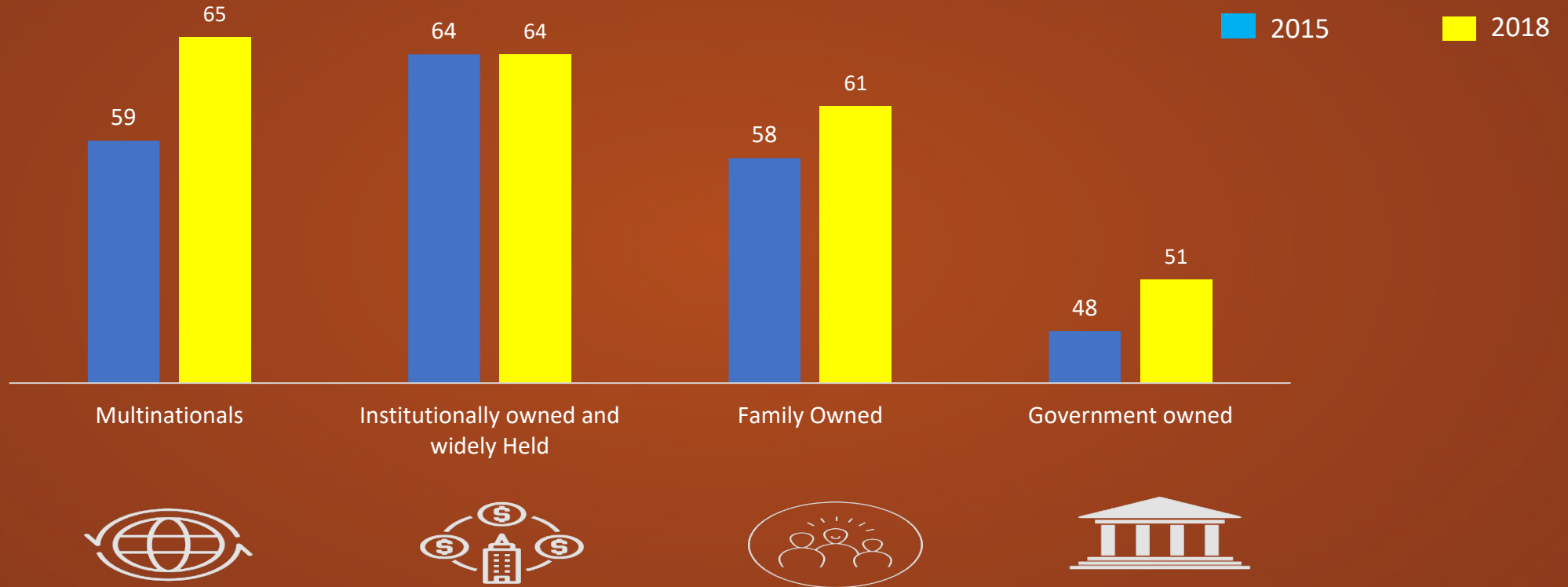
Note: Ranking of Top 500 firms is based on total income where data was publicly available. Data taken from CMIE Prowess.  
Source: CMIE, D&B Analysis



# PROCESS

A report on corporate governance practices of BSE-100 companies across 4 segments; Right and equitable treatment of shareholders, Role of stakeholders, Disclosures and transparency and Responsibilities of the board, shows that corporate governance scores varies across different ownership companies. SOEs scores are lower compared to others

Corporate Governance Scores of BSE-100 companies



Note: Data for India is for 2018 for 56 listed companies, excluding banks and for the rest of the countries is 2015, Data for CG compliance excludes banks  
Source: A report by IFC, BSE and IIAs on Corporate Governance score, 2019

# PROCESS

Natural resources are critical as they are inputs to almost every physical product manufactured. SOEs across countries have around 80% share in production of natural resources\*. It is important to have transparency in resource management as extraction of natural resources is one of the most politically, socially and economically complex undertakings. It is gratifying that India scores a high value in the Resource Governance Index

Resource Governance Index  
Score (100 is best 0 is worst)



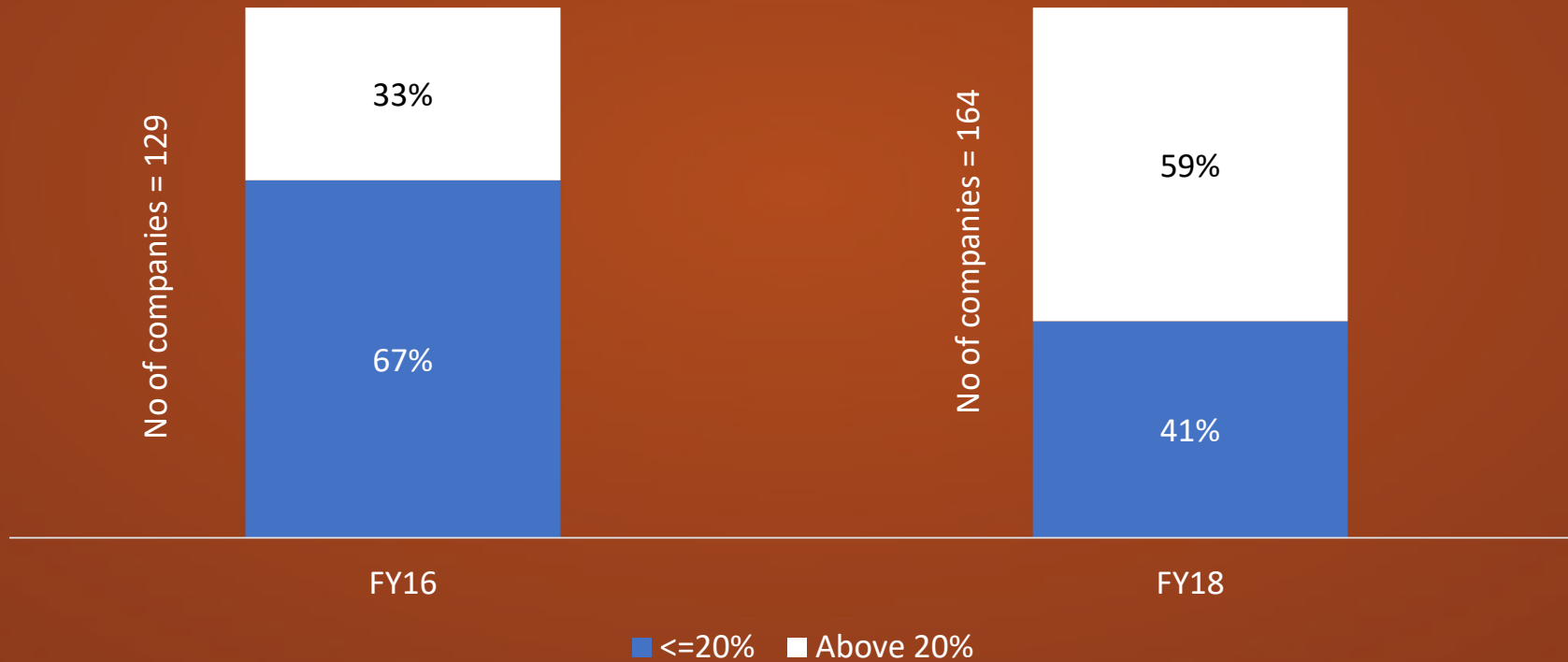
Note: Resource governance index is based on 3 components i.e. value realisation, revenue management and enabling environment. \* represents oil and natural gas production

Source: Natural Resource Governance institute, 2017, The Resource Governance Index assesses policies and practices that authorities employ to govern their countries' oil, gas and mining industries.

# PROCUREMENT

A strong MSME eco-system would be critical to achieve a US\$ 5 tn economy. SOEs have been helping in strengthening the capabilities of MSMEs through backward and forward linkages, collaboration and competition. Around 60% of SOEs who reported their data in FY18, procured more than 20% from MSMEs in 2018. Now with increased target of 25% procurement from MSMEs, the expectations from SOEs has increased

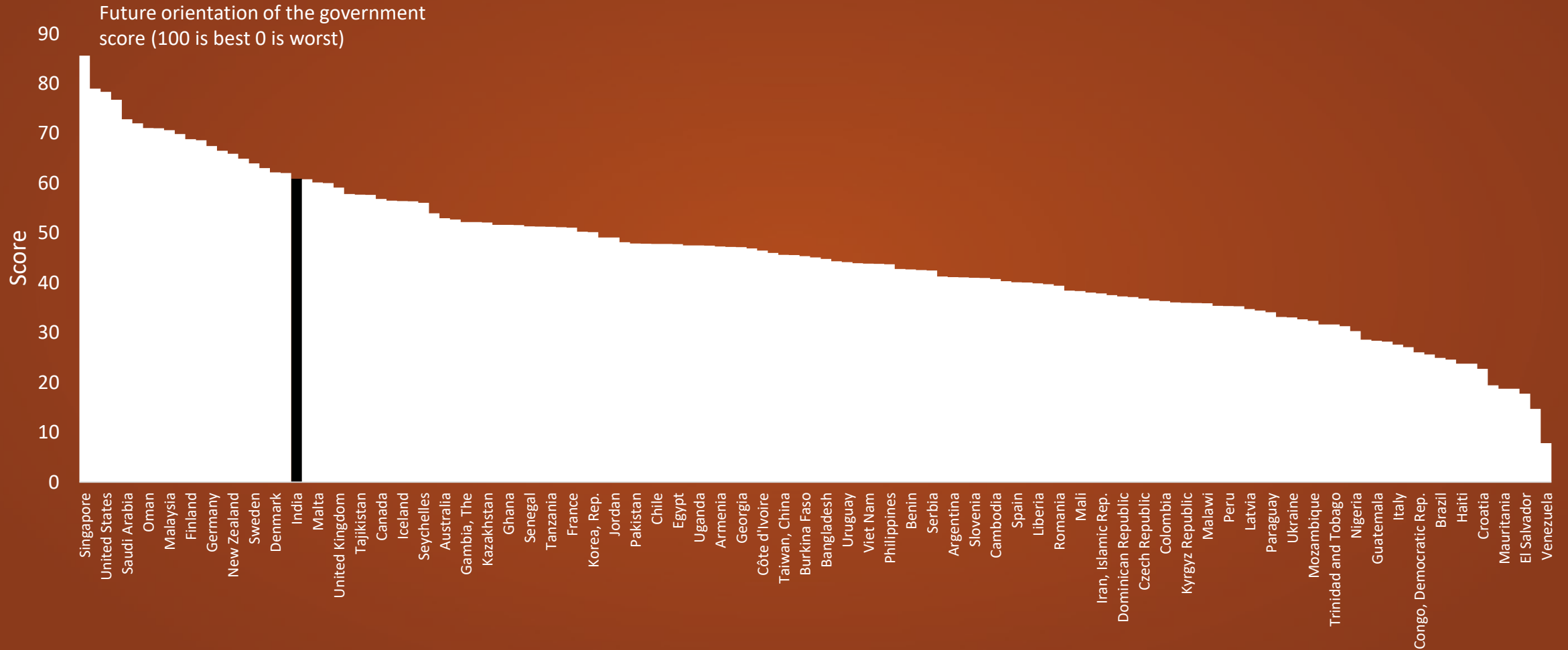
Share of SOEs procuring from MSMEs



Source: Department Of Public Enterprises

# PREPARE

The adaptability of the 4<sup>th</sup> industrial revolution will depend on all stakeholders, including the government. India's improvement in rank of 21 in 2018 from 26 in 2017 among 135 countries in the parameter 'Future Orientation of the Government' indicates a supportive environment



Source: World Bank, Global Competitiveness Index

# SUMMARY

## ROLE OF STATE OWNED ENTERPRISES (SOEs)

State Owned Enterprises (SOEs) are considered as strategic actors of the economy and have contributed significantly in nation-building and societal value creation since independence.

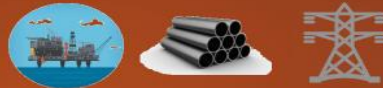
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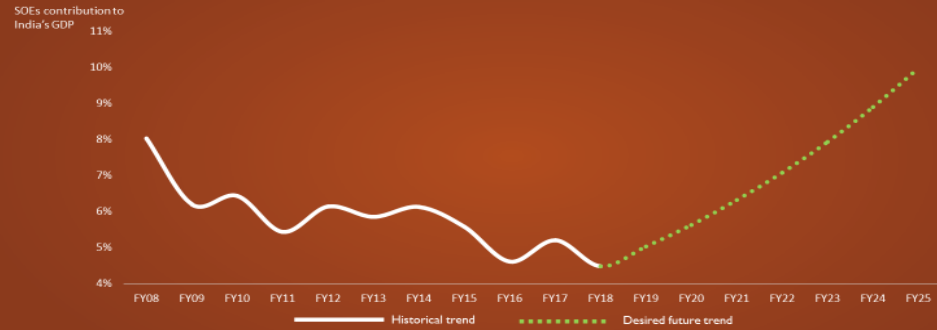
Note: SOEs are the public sector enterprises, excluding banks and insurance.  
Source: O&B Analysis

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## CONTRIBUTION OF INDIAN SOEs TO US\$ 5 TRILLION ECONOMY

India's strategic players need to start increasing their financial contribution. They are targeted to contribute 10% to India's GDP by FY25 from the current around 5%.



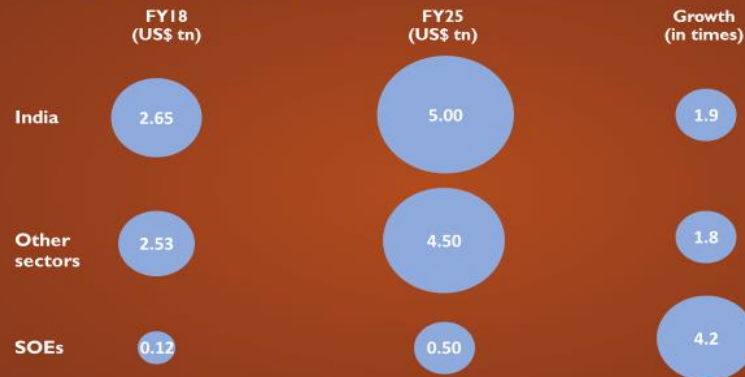
Source: Department of Public Enterprises.  
Notes: GDP Contribution data is for 339 SOEs. Excludes banks and insurance companies.

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## GROWTH (INTIMES) OF CONTRIBUTION BY SOEs AND OTHER SECTORS

By FY25, contribution of SOEs has to be 4.2 times the current level while contribution by the rest of the economy has to be only 1.8 times the current level



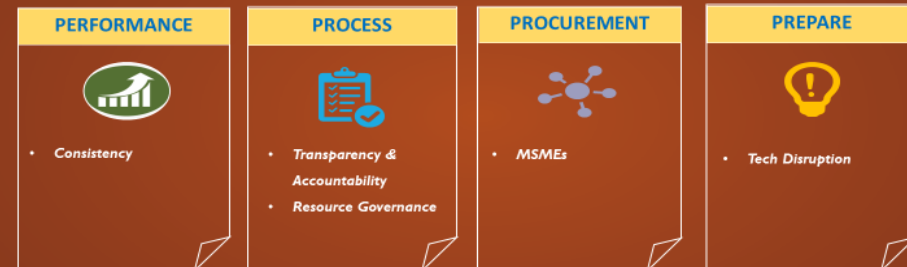
Note: Data includes only 339 SOEs i.e., excluding nationalized banks and public sector insurance companies.  
Source: MOSPI, RBI, Department of Public Enterprises

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## AREAS TO STRENGTHEN FOR SOEs TO CREATE A HOLISTIC ECO-SYSTEM TO BENEFIT THE NATION

SOEs over the years played a major role in nation building. Need of the hour for SOEs to create a holistic eco-system to benefit the nation, in terms of monetary and societal value creation and also helping the MSMEs to grow. Various research and the Government has highlighted areas for SOEs to strengthen, 4 broad areas stand out. While PSUs are doing well in some areas, there is scope for improvement in others



Source: PIB (PSU Conclave 2018)

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