

Privatization is a Boon or Bane for Indian Economy

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Abstract

This paper is going to discuss the topic which has made itself very popular in Indian market and that is the privatization of Indian Govt. companies. We will discuss the both advantages and disadvantages of the conversion from government to non-government companies.

We will cover in this paper that how far and to whom it is going to be benefited, its impact on GDP of the country, advantages and disadvantages to the govt. and many more.

In simple term, it is a situation where government undertakes less than the 50% of the stake or can say when govt. sells more than 50% of the stakes to private owner.

It will be boon for some sectors whereas some sectors like education, transportation etc. are going to be defected by it from the public's point of view. We have tried to cover almost all the aspects related to privatization.

Keywords: Privatization, PSUs, Indian Economy, GDP.

I. INTRODUCTION

The word Privatization was invented by **Peter F. Drucker**. It is a process of transforming ownership of property or business from govt. to public or private sector, is termed as privatization. The government ceases to be the owner of the entity or business. The word limited gets removed from the name of the company and starts using "Private Limited" or Pvt. Ltd. With the name of the company.

Indian went for privatization in the historic reforms budget of 1991, also known as New Economic Policy 1991 or LPG policy.

The privatization process in 1991 was triggered by an economic crisis that confronted our nation, but it was not limited to crisis management, the main purpose of the reforms was the desire to prosper, the belief in our capabilities and the confidence to relinquish the controls from the govt, those were used to impose on the Indian economy.

It involves greater market force, ensures higher competition, reduces the role of the state in the economic sphere and thus brings in greater private involvement into government activities. It liberalizes different regulations to unleash forces of competition and to induce market forces into the economy. It is also referred to as structural adjustment programmes for the economy as a whole and as an element of broader economic policy. However, in its strict sense, privatization refers to divestiture to private entity. It is one of the policy reforms, meant to improve the efficiency of state owned enterprises. Privatization is a political process and has important economic and social implications that not only affect enterprise performance, but also social welfare and stability. The social effects have to be considered in any impact assessment, particularly those related to employment, social safety net measures. There are many reasons which played a vital role in disrupting the government organization and the need of privatization become necessity automatically in India. Some of them are:

1. **Bureaucratic administration:** This type of administration makes it difficult, where controlling of the organization operated by a large number of officials, where govt. characterized by specialization of functions, adherence to fixed rules, and a hierarchy of authority.
2. **Out dated Technology:** It comes automatically in mind while we talk about PSUs, that the technology those are being used in the organization will not be updated and it will be a reason of inefficient work.
3. **Corruption:** It is a very common concept specially for Indian PSUs that you can't take the helps of the government officials without offering illegal advantages to them like bribe or any other kind. It becomes the compulsion for a person to offer them unethical advantages otherwise they will not take your work seriously.

4. **Lack of accountability:** Because of the large numbers of official it becomes very easy for them to impose the one's mistake on another and don't take the proper accountability.
5. **Domination of trade unions:** As they are an organization made for the purpose of themselves only so they dominate public easily.
6. **Political interference:** The very disgusting factor which make the PSUs unrealistic, non-static and unreliable in India is the political control. As the government takes the favor who supports him by means of funding or otherwise so the political pressure also made in favor of them only.
7. **Lack of proper marketing activities:** Because of the many types of provision that allow even an unskilled person to get the job in PSUs, these types of problems appear in the organization.

Though privatization is bitter pill but it is the pill, that will help to cure the diseases of India upto some extent. So here we are going to discuss the advantages and the disadvantages of it.

Advantages of the Privatization in India are as follow:

1. It improves efficiency and productivity of the operation
2. Generates maximum revenue and reduces the cost of operation
3. Attract new or additional business trade
4. Privatization offers less political interference
5. It focuses on to maximizing the profit.
6. reduces the role of the state govt.

Disadvantages:

1. it offers lesser job opportunities and increasing the number of unemployment. This needs to be balanced to reap the fruit of privatization in India.
2. Ensures higher competition.
3. It costs the products more than that the PSUs.
4. Nobody will be there to entertain the democratic voice because they work only for profit.
5. It will differentiate the public who are rich and poor.

Area where Privatization needs to be balanced:

There are some areas where I, personally don't appreciate the privatization 100%, being the India is a developing country contains a huge population with low income. It will not be feasible for them to privatize the following sector 100%. And they are:

1. **Health:** The most important topic for discussion, because India is a country of people

only, people are the precious heritage of it and being a developing country and along with many constraints, people of the country are not very self sufficient especially financially, so they need help from the govt to get the basic health benefits for them.

2. **Education:** Again the same clarification will be here because we are large in number and it is our fundamental right to educate ourselves, so if this sector gets privatized fully, children and youth our country will be deprived from this fundamental right.
3. **Transportation:** It is also an important factor to discuss, for the benefit of the Indian people because majority of the people prefer govt. transportation in spite of full featured private transports, because they are not very well to do and it is the govt transport which is economical for them.

II. CONCLUSION:

I would like to end this topic with the conclusion that though the privatization has its own advantages and disadvantages therefore it needs to be balanced to reap the fruit of it.

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