

IMPACT OF PRIVATIZATION ON PUBLIC SECTOR (WITH SPECIAL REFERENCE ON INDIAN ECONOMY)

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ABSTRACT

Privatization means transfer of ownership and/or Management of any enterprises from the public sector to the private sector. Privatization is a way in which private enterprises involved in the ownership and management of the public enterprises and economic democracy started by reducing interference govt. control in any economic activities. Privatization is based on this thought that private sector is more efficient than the public sector. In India public and private both the sector are play a significant role for development of the country especially in infrastructure of country like communication, health, banking. This study refers to that how privatization impact on public sector. What are the benefits of privatization and how does it given negative impact on Indian Economy. Experts give their view that privatization is helpful for economic growth and development of country. It creates revenue for the govt. It is digitally a good way if the government feels that some particular sectors like Railway, Banking can be opened for the competition and it will benefit the public. Experts also state that by allowing the public sector enterprises into private sector FDI also attract and invest into the private sector. It resulting increases the money supply. Whereas some experts state that privatization create more problems like unemployment, cut throat completion etc. They said that private sector established monopoly and the concentration of power in few hands. India also moves on the path of privatization of the public enterprises to achieve economic growth and increase the productivity.

KEYWORDS: *Privatization, Economic Growth, FDI, Unemployment & Maximization.*

Introduction

The word "**Privatization**" recently very popular now a days. Privatization has also been frequently recommended for developing countries. The process in which public holding company is take over by some few businessmen is called privatization. In a broader way when Transfer of Ownership and/or Management of any enterprises from the public sector in the prime sector. After privatization Company uses "Private Limited" in its name. It is a process in which private enterprises involved in the ownership and management of public enterprise and reducing the interference of public Enterprises in the Economics activities. India has mixed Economy in which both sectors public and private are exists. Especially in the area of communication, Banking, Education etc. India went for privatization in the budget of 1991 also known as new Economic policy.

Objectives of the Study are:

- To study the role of Privatization on Economy.
- To analysis privatization is good or bad for the economic development.
- To find out the Positive and Negative Impact of Privatization on Indian Economy.

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Objective of Privatization

- To increase efficiency in the industries.
- To arrange financial resources for deficit budget.
- To attract foreign direct investment (FDI).
- To generate foreign exchange by increase exports.

Why need for Privatization

Privatization is beneficial for the economic development and sustainability. It is an instrument for achieving the goals and proper utilization of resources. To achieve economic growth and increase the output of the country with the help of privatization. It is a process to solve the problem of public enterprises and help the country for their Economic development. It also help in increasing the revenue for the govt. As PM Modi says, "Privatization is the need of the hour".

In the economy privatization is a tool from which govt. increase the output of the country which help in improving quality, reducing cost and reduce the public debt. There are many public enterprise's that are making losses. Many have to need support through capital. The private sector also brings investment, environment etc. this make things new modernized and enterprise open their branches in entire sector rapidly and create new opportunities of jobs. Privatization should be encouraged now active completions and improves incentives and control mechanism for public enterprises Privatizations the based on this assumption that private sector is more efficient rather than the public sector.

It always helps consumer needs and increasing the help in the government revenue. It helps generate employment opportunities and competitive efficiency in economy. In developing country like India there is need to mobilizing the skills and resources of the public sector to the private sector.

How Public Sector can be Privatized

Private sector enterprise can be Privatizations in two ways:

- **By Transferring the Ownership:** The Govt. can be removed entirely interference from the industry as well as the Management of the Public Sector enterprise.
- **By Disinvestment:** When Government selling their Equity to the private sector units this is called disinvestment. The Government uses disinvestment process only to reduce the financial burden.

Advantages of Privatizations

Privatizations benefits the society in many ways. It always gives innovation and creation of ideas as well as systematic and strategic planning to realize the full potential of Economy. It is definitely a right step if the Completion and it will **beneficial** for the economy. the advantage of Privatizations ways be as follows:

- Private sector uses the utilization of resources by maintain the efficiency.
- Privatizations reduces the fiscal and financial burden from the Government.
- Privatizations generate the resource for the Government through the policy of disinvestment of the public sector.
- It leads the creation of wealth.
- It help to control Government Monopoly and help to attract more resources from the private sector.
- It increases the better relation of workers and general public who are the part of the company.
- Private sector companies provided better benefits and opportunities for their employees.
- By allowing the private sector companies to invest in govt. funded industry the country is allowing its FDI to grow. It results increase in the money supply.
- Private company interested in making profit so it is more likely to cut cost and be efficient.
- A private limited company never lets political effects on its performance. it reduces the political interference.

Disadvantages of Privatization

- Private company creates their own policies/monopoly they take advantage and charge high price.

- Private company is less transparent than the public enterprises.
- Privatization resulted unemployment in the economy. It emphasis work performance which resulted it create work pressure on the employee.
- Private sector depends on the principal of maximization of the profits. so it is harmful to the consumer as well as whole society.
- Private sector give the Economic power and the concentration in few hands or Management of the company.
- An Unfortunate aspect of private Enterprises it results strike, loss of production, non-utilization of resources.
- Privatization is not a guarantee of the success of an industrial unit. it effected the Industrial Environment.
- Private enterprise established for the profit, they set up in those areas where they earn maximum profit it results Industrial concentration in few areas and those areaare fully developed. So, it will harmful for the balanced Economic development.

Impact of Privatization on Indian Economy

India is a developing country. It has a very vast and versatile Economy in which public and private scoter exits. Privatization is today's concept which seems in increasing output, better Quality, reducing cost and reduce financial burden on Government. Indian Economy has required potential for growth. India should adopt Privatization or continue with current system, whether it is beneficial for the Economic development or not beneficial for country.

Let's discuss some major sector of Indian Economy how they effected by Privatization.

Railway

The Privatization of Indian railways has been recommended for many decades. Indian railway is the backbone of India, it provides how fare transportation to agriculture and Industrial Trade.

Therefore, Privatization of Indian Railway shall definitely affect the Indian economy.

The private train will be high speed trains designed for a maximum seep of 160 kmph. Majority of trains will be manufactured in India under the make in India Scheme.

Benefits of Privatization of Railways

- For better infrastructure privatization is needed. Private company will provide improved amenities for the travelers.
- Private company leads the better security for the public.
- Private company lead the modern technology for the Indian railway.

Disadvantages of Privatization of Indian Railway

- Private company means profit making units. They lead the elimination of Railway routes those are less popular.
- Private company charges higher rent from the public to give them better infrastructure therefore the lower income group out of reach the railways.
- The whole railway system cannot be handled by a single unit. It is difficult for private units.

Banking

Banks play in important role in economic progression of the country. Public funds are involved in insurance and banking sector. Banking industry in India has always moved around the deposit and credit function.

Advantage of Privatization of Banks in India

- Privatization will increased the efficiency of the employee.
- Privatization would remove thickness of the economy from the critical examination of public and social accountability.
- Through privatization technical efficiency will increased.
- Better customer support.

Disadvantage of Privatization of Banks

- Service charges will be increased and the customer who is bearing these charges will be serviced.
- Job security will be gone.
- Priority Sector lending targets would be difficult to achieve.
- Profit motive can lead.
- Market failure.

Conclusion

It realizes that privatization leads both the positive and negative effect. It depends upon the position of the country. If govt. improves the efficiency of the productivity and control the financial burden than privatization is good for the economic growth. But if it give's adverse effect to the public than privatization has obstacle of the development of a economy.

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