

PRIVATIZATION

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- ▶ Privatization is an opposite term to nationalization or somehow socialism.
- ▶ As per the Economic Times –” The transfer of ownership, property or business from the government to the private sector is termed privatization. The government ceases to be the owner of the entity or business”.
- ▶ The process in which a publicly-traded company is taken over by a few people is also called privatization. The stock of the company is no longer traded in the stock market and the general public is barred from holding stake in such a company. The company gives up the name 'limited' and starts using 'private limited' in its last name.

INTRODUCTION

- ▶ In India, it is mainly inflected by new economic regime after 1991 popularly known as LPG era (Liberalization, Privatization, Globalization).
- ▶ Privatization can mean different things including moving something from the public sector into the private sector. It is also sometimes used as a synonym for deregulation when a heavily regulated private company or industry becomes less regulated. Government functions and services may also be privatized (which may also be known as "franchising" or "out-sourcing").
- ▶ The first mass privatization of state property occurred in Nazi Germany between 1933–1937.

CONTD.-

- ▶ It limits government involvement in economic activities and safeguards the private sector.
- ▶ It establishes economic democracy and allows private sectors to operate in economic activities freely.
- ▶ It is a way to pamper capitalistic society.
- ▶ It ultimately leads to downsizing the govt.
- ▶ Sick enterprises or companies are no more accepted for long time.
- ▶ It is operationalized by many ways like- outsourcing, PPP (public private partnership), management or employees buyout, share sale or asset sale etc.

FEATURES

- ▶ Increase in inter-company or sector competition.
- ▶ Improvement in efficiency.
- ▶ Lack of political interference.
- ▶ Government can raise revenue from the sale of sick enterprise.
- ▶ Shareholders interests can be served better.
- ▶ Political gain for some governments.

ADVANTAGES

- ▶ Public interest is harmed.
- ▶ A wrong practice in developing socialistic society.
- ▶ Government loses out on potential dividends.
- ▶ Monopoly of private sector may create new problems.
- ▶ Fragmentation of industries.
- ▶ Short-termism of Public Sector Undertakings.
- ▶ Lack of economic justice and social justice.

DISADVANTAGES