PRIVATISATION OF THE INDIAN ECONOMY

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Privatisation refers to the transfer of management, control and ownership of public sector companies to the entrepreneurs in the private sector. Privatisation of the public sector undertakings (PSU) by selling government owned assets to the public is known as disinvestment. The official impetus for privatisation in India was a result of a major change in policy, in response to an exterior debt disaster and the blessing of the international monetary fund in 1991. India introduced principal reforms to liberalise the economy along with plans for privatisation. Before 1991 India was a socialist economy where the industries were subject to government restrictions but the privatisation and disinvestment of Bharat Aluminium Company (BALCO) was a turning point for the Indian economy.

Privatisation has multiple positive effects on the Indian economy. It can be seen as a solution to the challenge of administrative corruption of government held holdings. It has also helped in raising income tax collections and boosting the public treasury. Privatisation has also had a positive impact on the banking sector of the economy. Life Insurance Company (LIC) is one of the most profitable Public Sector Undertaking of the Indian banking system. The insurance sector is very upcoming so it was the right time for them to disinvest and privatise it so that not only would they increase their efficiency but also capitalise on the growing market.  LIC’s disinvestment has the potential to push the insurance and finance industry towards greater transparency and accountability, effectiveness, and performance. Secondly, market restraint may impose some restrictions on governments who frequently ask LIC to step in and intervene in poor financial firms. LIC’s privatisation helped to improve economic resource allocation too.

On the other hand, privatisation also results in high employee turnover ratio. In private sector companies, focus is put on performance which indirectly leads to work pressure and meeting deadlines or targets and individuals who have been doing work for years without much pressure find it difficult to adapt to the new setting and many end up resigning from their job.  With the reconstruction of the economy, the idea of a welfare state might be eliminated. The private sector would not worry for humanity because it's only aim is to make money. They have no obligation towards the welfare of the society. In the case of railways, it is the backbone of the Indian economy since the colonial period as it offers low-fare transport for agricultural and industrial trade. Since a private corporation relies on profit, it is only reasonable to conclude that raising fares will be the fastest way to raise money on Indian Railways, putting the railway out of reach for lower income classes. It will negate the whole intent of the program which is meant to represent the country's entire population irrespective of income class.

The privatisation of the railways can also have a negative impact on connectivity and further widen the rural-urban divide. As we know, the Air India being privatised would increase competition and thus boost the efficiency of the services and the debt burden of the government will reduce however the employee unions contend that privatization would result in job cuts particularly for those that fall into the reserved categories because the private sector has no duty to follow the reservation policy. The push toward privatization without clearing the due salaries of the employees would generate instability. As we know a coin has two faces. Privatisation also has both positive and negative impacts on the economy.