

Project Report
on
Privatization in India

By-

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Abstract :

Privatization is often considered as a fuzzy concept that evokes sharp political reactions among the audience. It is generally defined as the process of transfer of ownership, a path from public ownership to private ownership. With tons of people favoring the claim while tons rejecting it, with varying ideology from wildly impractical to eminently reasonable.

The current aim of privatization is not to merely return services to their original location. But also to create new market relations that promise results comparable or superior to conventional public programs.

The current wave of privatization initiatives open a complete new domain in the conflict over the public private sector.

This report discusses the causes and reasons for privatization to happen in India and what are its advantages and disadvantages.

Problem Statement:

In the past few years Privatization of Government Enterprises has been a major topic of discussion in our country. The Government is reducing its share in most of the sectors it owns.

Privatization is supposed to bring competition, improve work efficiency and reduce the government's burden to run those economic enterprises and focus on its important goals. On the other hand it can also lead to monopoly, increased cost of basic goods, reduced job security and increased work pressure.

This report analyzes Privatization from the aspect of critical thinking, looking at the main reasons why government choose to move in this direction, and what impacts it has on the economy currently and in the future.

Introduction :

The term "privatization" was first used in The Economist magazine in 1930. It is described as "the transfer of ownership, property, or company from the government to the private sector." The corporation or business is no longer owned by the government.

Privatization is thought to bring stability to the company, which a government company is not concerned with. In 1991, when India's new economic policy was established, the term privatization was coined in India. Over the past few years, the Indian Government has privatized or identified for privatization across many sectors such as PSUs, Banks, Railways, Airlines, Mining, Fertilizer and Cotton Industries and many more.

India was selected as a case study because it represents a number of developing countries that have opened their economies and engaged in privatization reforms in the last few decades. Furthermore, India is an intriguing case because democracy has been successful for more than half of the twentieth century.

The structure of the report is as follows :

- India's Privatization Drive : Critical Analysis on the belief that Public Sector Units perform better when privatized.
- Applied various checklists on the above claim.
- Quantitative Analysis on the Data.(Probability)
- Impact of Privatization.
- Privatization of other sectors Railways,Agriculture.
- System Based Thinking to Privatization.

The India Forum Article : India's Privatization Drive

(Link : <https://www.theindiaforum.in/article/india-s-privatisation-drive>)

Theory : Privatization will improve efficiency of public sectors .

Here, we assume that the improvement in stock price and profits/loss are the indicators of the efficiency of the PSUs,

Which Theory to Believe Checklist

- **Believe theories that make predictions**

- Here, theory is making the prediction that the efficiency of PSUs will improve if they are privatized.

- **Predictions should be verifiable**

- Prediction can be verifiable by checking the data from the Economic Surveys mentioning how the performance of PSUs changed post privatization.

- **Predictions should be interesting(unlikely to be true by chance or due to other known reasons)**

- Theory is interesting as it is not true by chance or the any other reasons but the government data from the Economic Survey which is reliable data shows that efficiency of the PSUs improved.

- **More information should come out of theory than goes in its making**

- Many other pieces of information that come out of theory apart from this. Example :- Government sold the PSUs to curb their financial burdens.

- **When applicable, theory should postulate a mechanism**

- Here, the theory is applicable and the mechanism is that when any PSUs is privatized, management becomes strict and better, employees now have fear of losing their jobs so they don't show leniency. Employees are given incentives when they meet any targets. So, this is the mechanism mentioned in the article as well that leads to improving the efficiency of the PSUs.

Checklist: Uncritical Methods

- **No why/how questions asked**

- This type of questions can be asked and also answers can be given based on the data in the Economic Survey so our method is not the uncritical one.

- **Results based on hearsay, or unreliable sources, non-repeatable**

- This theory is based on the reliable sources mentioned in the references of this report.

- **Ignoring unfavorable results**

- Modern Food industries Limited got into the loss after being Privatized. (From the data being shown on Page no. - 220 in Economic Survey 2019-20 mentioned in references.)
- **Ad-hoc explanations** - Hindustan Unilever Limited(HUL) purchased it and “According to senior HUL officials, the acquisition was a complete mismatch with the HUL culture and systems. The company admitted that the acquisition was a mistake due to inadequate due diligence.” (https://en.wikipedia.org/wiki/Modern_Food_Industries)

Theory Testing:

The system being discussed here is that, “ **privatization will improve efficiency of public sectors and also will help the government to get out of its financial crisis.** “

Here we will consider two hypotheses, one that privatization improves efficiency of organization, and second that it will help the government in its financial crisis.

We will consider the case of BPCL and HPCL for test purposes. As BPCL was privatized, while HPCL was kept under the government control. As both companies work in exactly the same sector, the effect of the outer environment(market inflation, national and global conditions and trades, raw material, new policies etc.) on both must be the same.

Let **T** : Privatization of a company
 P : Performance of the company improves.
 B : market conditions for sales.

As we are taking 2 companies over the same period of time, the background B would automatically be the same in both the conditions.

So, as for condition 1, $T \wedge B \rightarrow P$,

After privatization of BPCL, in 2019 Nov, the Stock Prices of the firm went sky high(33,000 Cr), under the assumption that company will improve as it is privatized and hence investors showed keen interest in stocks of BPCL. It is also seen that net revenue of the company also increased (237,569.51Cr in March 2018, to 300,263.13 Cr in March 2019) . So it seems valid to say that privatization of a firm improves its performance.

For second condition, $\sim T \wedge B \rightarrow \sim P$

In case of HPCL, which was not privatized, the stock prices remained almost same (no improvement as in case of BPCL), but the net revenue saw almost same increase as that of BPCL(221,037.52 Cr in March 2018 vs 276.943.76 Cr in March 2019). Further, after that the net revenue of both companies is nearly the same (revenue of BPCL being higher than that of HPCL due to its high market sales, but the difference is nearly the same before and after the change).

So here $\sim T \wedge B \rightarrow P$, not the required case, hence the conclusion that privatization improves efficiency and performance is not true in this case.

Applying argument validation checklist :

Understanding the basic claim :

Claim 1 : Private sector is more efficient than the public sector.

Claim 2 : Privatization is better as it hands off the public sector into private hands.

Understanding the basic structure :

Premise 1 : Private sector is more efficient than the public sector.

Premise 2 : Privatization puts public firms under private ownership.

Conclusion : Privatization is efficient

Confounding Variables :

- Privatization of only profit making PSUs is being done as tech giants are only interested in purchasing stakes of profit making firms.
- Employees are better monitored in the private sector hence optimal output is produced.
- A state enterprise or firm which has been doing well for several years is privatized when its performance begins to suffer.

Justified Premises :

The justification of all the premises is as follows -

Premise 1 : Managers are better monitored in the private sector as compared to the public sector. Incentives are vastly superior in the private sector. Often in the case of private sector firms protecting the interest of shareholders is of prime importance for the board of directors.

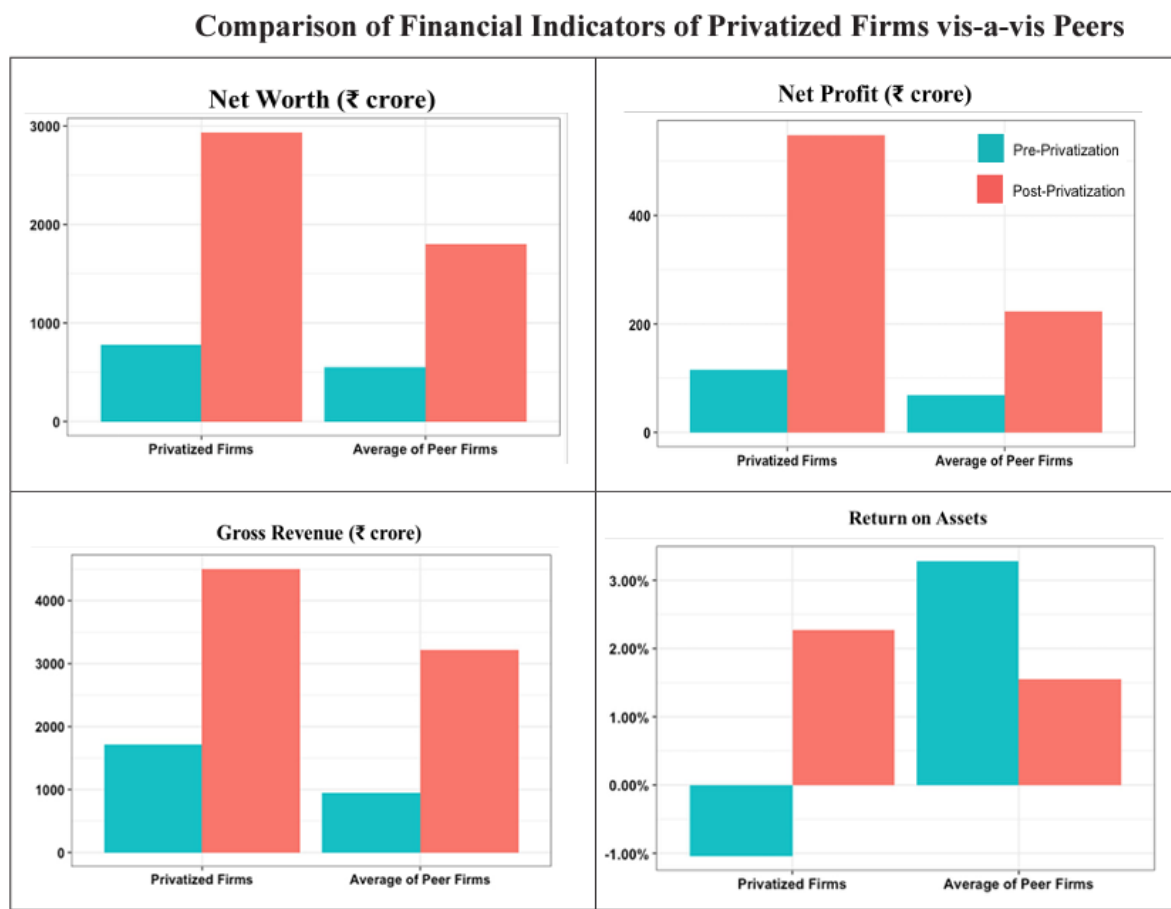
Premise 2 : Privatization implies the transfer of business, industry or service from public to private ownership by handing them to big tech giants.

The argument above is an inductive argument and hence it follows an inductive argument validation mechanism.

MoA(Method of Agreement) :

The customary principle of Mill's Method of Agreement is that similar effects are likely to arise from similar causes. There is a large number of studies that compare pre and post privatization performance of firms. A comprehensive review of these studies is provided by Megginson and Netter(2006). They conclude, based on their survey, that “privatization works” and helps improve the efficiency of a firm.

In general a common trend represented by the following bar graphs can be noticed in all privatized firms. And hence we can agree upon the efficiency of privatization.

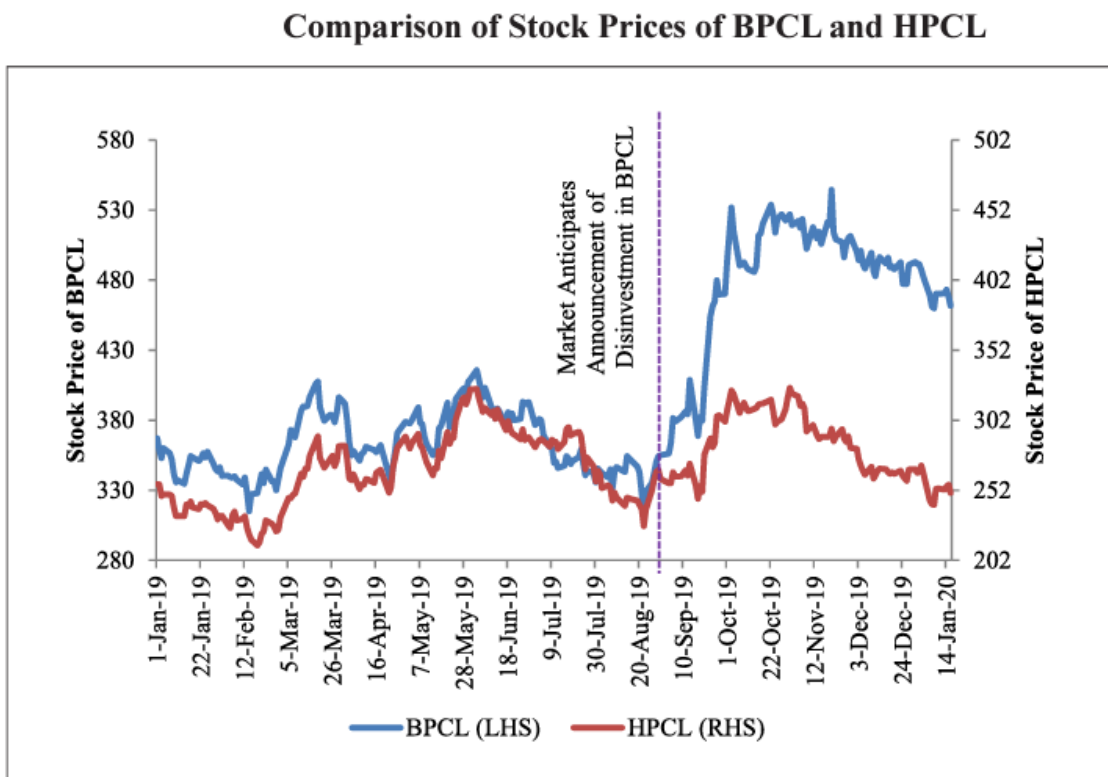


Source: Economic Survey (2019-20)

fig. 1

MoD(Method of Difference) :

Fig. 2 shows the share price of BPCL when compared with its peer HPCL and focuses on the difference in the prices from September 2019 onwards. The divergence in the stock prices of HPCL and BPCL started post the announcement of BPCL's disinvestment since the only sighted difference between BPCL and HPCL is the disinvestment of BPCL as compared to HPCL, which is still under the control of the Government. We can argue that the disinvestment of BPCL by the Government and its privatization could have been a reason for its increased efficiency.



Source: Bombay Stock Exchange (BSE)

fig.2

The above reasoning applies Mill's Method of Difference : comparison of two cases one in which the effect is observed under the presence of a certain object (here privatization) and another in which the effect doesn't occur (in the absence of the object).

Soundness : The argument is considered a sound argument since all the premises are justified and the argument is valid by Inductive Argument Validation.

Hidden Premises :

While making a conclusion from a claim, there are certain hidden premises associated with it which also indirectly leads to the conclusion along with the given premises.

Claim : Privatization leads to the improvement of the efficiency of the PSUs.

The hidden premises associated with the above claim are :

- Human Resource management is better in private firms.
- Incentivisation and Bonus are given to employees in private firms.
- No job security till retirement so, fear of losing a job in the private sector hence employees work better.
- Punctuality is better.
- Quick decision making in private firms.
- No interference of politics in private firms.
- Private firms have to compete with their competitors to sustain in the market.
- No financial support of the government in private firms so they always try to keep themselves in profit.
- Less efficient employees can be replaced by more efficient ones in private firms.
- If management does not perform well in private firms, the board will replace it.
- No interference from the government to force them to give jobs during the election.
- PSU when in government hand doesn't include land in their valuation which leads to low stock price.
- Stock prices increase when privatized which indicates a better future of the company so more people invest.
- Data shown by the economic survey is reliable and correct.

Applying the Laws of Deduction :

Consider the following claim :

Privatisation of several companies is done and so India is in good state

Let P = Privatisation is done.

 Q = India is in a good state

The claim stated above clearly says that :

$$P \rightarrow Q$$

But we cannot say for sure that $(\sim P \rightarrow \sim Q)$

Counterfactual question :

What would have happened to India if privatisation was not there.

Counterfactual fallacy :

India would have been in a bad state if privatisation was not done.

The above claim is made without any evidence and the following example can be listed to deny the claim.

- As per the report on privatisation by People's Commission on Public Sector and Public Service [ref. 3] :
 - It is argued that privatisation of public sector and monetization of assets are not good for India and hence have resulted in concentration of enormous economic power to a few wealthy people of India
 - This agenda of privatisation of India's public sector could cause certain irreversible and severe damages to the nation's politics and economy.
- Instantaneous and large scale privatisation of banks can do more harm to the countries economy than good.
 - People who have invested a fair amount of money in the public banks are bound to withdraw their investment fearing that the foreigners are now affecting the national assets.

- The private sector is least interested in the cost reduction or quality production of a good neither are they concerned much with the well being of their employees. All of this might lead to unfair practices and many businesses associated with a bank might indulge in corruption
- Even for the general consumers the services are gonna get worse as now goods might be overpriced and proper care and hospitality might not be offered to the visiting customers. Even the private workers need to work 24 hrs without being offered much relaxation time and a very hard bound on the deadlines.
- The private companies are not accountable to the general public, at least not democratically.
 - Even the contracts that are made between the privatized companies and the governments are made behind closed doors.
 - With very little transparency, public accountability or scrutiny.
 - If the private company fails to deliver the desired or up to the mark service the public have no power to complain or intervene and the government does not always take a fast action to deal with the problem.
- Privatisation involves the fragmentation of a common public service among multiple companies.
- Private companies often indulge only in those businesses which are profitable and can generate huge stacks of money.

Argument By Analogy:

Privatization in India has history from the 1990s, when the government started to allow private investment in some sectors and called it the “Disinvestment”.

Privatization in other countries prior to India has seen some significant gains in the economy of the country after privatization. Especially after the industrial revolution in Europe, private investment in some sectors improved the structure of industry and also involved new research in the field which is beneficial for future growth.

But all of them didn't go well, some examples are :

- **In Greece :**

In 2013 the government of Greece decided to sell its venture Greek Organization of Football Prognostics S.A. (OPAP). Which has an income of over 500M Euro. The Government sold shares for €6.13 apiece, which were expected to be more than €10 per share, but due to lack of proper market assessment and improper planning cost Government loss of millions of Euros. There was also a small case of corruption that was raised that the government sold shares at a lower price deliberately.

Other than this there was an estimated €130 million loss that the Government had to bear due to other property selling.

- **Ireland :**

One of the largest privatization in the history of Ireland was the privatization of Bord Gais Energy (Gas and Electricity supplier). Due to absence of proper planning and estimating of the price, the BGE was sold at €1.1 billion which was valued more than €1.5 billion at that time, but as the government shows lack of interest, the privatization costed them in billions. Moreover, they were only able to cash €1 billion due to additional expenses.

Also after the privatization the profit of BGE was €91 million in 2013 which was around €120 million in 2012, which also shows that even profit making firms' efficiency may go down after privatization.

- **United Kingdom:**

Royal Mail:

The British government sold 60% stakes of Royal Mail through an initial public offering(IPO) in OCT 2013, which got the government around 2 Billion pounds in revenue. But the value of shares increased by around 25% within one night.

It was later found out that one of the consulting companies, Lazard's consulting, which were the one of the prime consultants of the government in this selling deliberately told the government to set the price of shares lower than what they should be. As one of its sister companies was one of the companies which were priority investors and were allowed to buy shares early. Using the undervaluation of stocks the company earned a profit of €8 million within a day.

The above points show that the European privatization programme has proven to be extremely profitable for financial and legal firms, a small number of private corporations, and investors rather than the government and public which means that the privatization does not help the country to the extent it actually can, but seems done for the benefit of some “special” business class, which then can make more profit out of the government assets bought at cheaper prices.

List of companies privatized since 2017:

- Donyi Polo Ashok Hotel
- Madhya Pradesh Ashok Hotel Corporation
- Hotel Janpath
- Bharatpur Ashok Hotel Corporation
- Patliputra Ashok Hotel Corporation
- Srinagar Centaur Hotel
- Pondicherry Ashok Hotel Corporation
- Mangalore Refinery & Petrochemicals
- Dredging Corporation of India
- HSCC
- Rural Electrification Corporation Limited
- Hindustan Petroleum Corporation Limited
- Kamarajar Port North Eastern Electric Power Corporation Limited (NEEPCO)
- Tehri Hydro Development Corporation
- Mahanagar Telephone Nigam Limited (MTNL)
- Hindustan Newsprint
- Ranchi Ashok Bihar Hotel Corporation
- Jammu Ashok Hotel Corporation
- Air India
- Air India Express Limited
- Air India-SATS (AISATS)
- Neelachal
- Ispat Nigam Limited (NINL)

● 15 out of 25 companies above showed an increase in profit on the financial year they were allowed private investment(Data not found for 3). Some companies were completely sold by the government while others were kept and only some small amounts of stakes were sold.

● Assuming no prior data, the probability of the next unit to be more profitable in the next year of its disinvestment, will be nearly 0.6, which is more than 50% but still not good enough to say that privatization will improve the performance of the companies.

● Also it might be the case that the companies who improved on their profit have an increasing pattern for the past few years and increase in profit is not due to private investment.

- Contrary to the above point, it might also be the case that the companies who did not improve, have a decrease due to some market conditions that affected the profit, and privatization has no effect on decrease in profit of the company.

Conclusion :

Here we can see that privatization has shown both positive and negative impact on a government unit, some has improved, some has remained the same , while some also has decreased performance. As it is not easy to study the effect of private investment in government units. As the investment varies in percentage and also the market conditions also affect the profit/loss of the 14 companies. As the effect of privatization is not so direct, to draw conclusions from the profit loss of a company seems unreasonable.

Quantitative Analysis (Conditional Probability) :

Let us now calculate the probability that the Public unit will result in profit given it is privatized.

Here,

Total companies under government = 274

Companies privatized or liquidated = 35+36 respectively
= 71

Unit having profit= 180

Unit under loss= 94

Units privatized while making profit= 48

Units privatized while under loss= 23

Now,

$$\begin{aligned}\text{Probability of Unit under loss} &= P(\text{Loss}) \\ &= \frac{94}{274} \\ &= 0.3430\end{aligned}$$

$$\begin{aligned}\text{Probability of Unit being Privatized} &= P(\text{privatized}) \\ &= \frac{71}{274} \\ &= 0.2591\end{aligned}$$

$$\begin{aligned}\text{Probability that Unit is privatized while under loss} &= P(\text{privatized} | \text{Loss}) \\ &= \frac{23}{94} \\ &= 0.2446\end{aligned}$$

$$\begin{aligned}P(\text{Loss} | \text{Privatized}) &= \frac{P(\text{privatized} | \text{Loss}) \times P(\text{Loss})}{P(\text{privatized})} \\ &= \frac{0.2446 \times 0.3430}{0.2591} \\ &= 0.3238\end{aligned}$$

Now, to answer the main question,

probability that the Public unit will result in profit given it is privatized

$$\begin{aligned} &= P(\text{Profit} \mid \text{Privatized}) \\ &= 1 - P(\text{Loss} \mid \text{Privatized}) \\ &= 1 - 0.3238 \\ &= .6762 \end{aligned}$$

So the probability of the Unit being profitable after privatization is 67.62%, which is significantly positive.

Note:

- All the probabilities calculated above are calculated from the data provided by the government of India on public sector units and wikipedia on the units which are privatized in the last few years.
- The data from the different sources differ in few terms, hence is balanced according to the data provided by the government.

Impact of Privatisation :

On Public:

Public gets services from government units at a cheaper/subsidized rate, privatization of which will impact the charges the public have to pay for the services. Which will cause the lower class people to pay more for the normal services than usual which will impact their economical conditions.

Government provides reservations in these units as well which helps the backward people a good opportunity to grow, which does not seem to be the case for private companies as their main aim is to generate revenue not the economic growth of the nation.

	<i>Total (1000s)</i>		<i>% Scheduled Caste</i>		<i>% Scheduled Tribe</i>	
	<i>1971</i>	<i>2001</i>	<i>1971</i>	<i>2001</i>	<i>1971</i>	<i>2001</i>
Group "A"	31.3	203.3	0.52	10.8	0.17	3.0
Group "B"	35.8	191.7	0.54	11.5	0.16	4.6
Group "C"	351.3	942.5	5.59	18.9	1.3	8.8
Group "D"	129.2	388.1	16.0	22.9	5.9	11.3
Excl. Safai Karamcharis						
Group "D"	5.65	21.2	81.8	75.9	1.4	3.4
Safai Karamcharis						
TOTAL	553.2	1,746.9	8.2	18.8	2.2	8.16

Source: National Sample Survey Organisation (NSSO) Report.

The following data shows that the government has improved the SC/ST caste people in the upper grade jobs over previous years, in which they mostly have to do lower grade jobs. This helps in their economic and social development, hence in the overall development of the society. As the private sector's main goal is profit rather than socio-economic development, they fail to collaborate to social development of the society and hence the gap between upper and lower class continues to widen, which splits the society in different classes which is harmful for a nation.

Effect on Employees :

The main impact on the current employees is the job security and the benefits of a government employee. As job security is a very important factor in a person's choice to go for a particular job, especially government jobs.

It is okay to say that this removal of job security will put pressure on workers to perform better and hence will improve the performance of the organization. But it will also impact their mental health and some will also consider moving to other less pressured work environments.

Effect on Government Funds:

Government earns a great amount of money from these PSUs selling them earns a greater amount, but it also loses the long term small amount that is earned yearly, also the efforts and resources put to strengthen the units are also sold. So it is a question to ask, if it is better to sell these units for economic boost or to keep them and earn that boost in small fractions over a period of time.

PSE Profitability Compared to the Private Sector Profit after tax (PAT)/net sales

As on March 31	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Pure Manufacturing CPSUs	-4.50	-5.30	-5.40	-6.90	-2.30	-2.40	-4.30	-3.90
Manufacturing private sector	5.70	4.90	4.90	6.60	9.10	9.00	7.00	6.20

Source: NCAER Report, cited in Baijal.

As the above table shows that most of the manufacturing CPSUs incur overall loss, while private sector units are always in profit. So it seems easy to say that the government should sell out these units as they are not making any profit for a long period of time. And put the resources elsewhere.

But these need not to be the case in other units, some units might be in loss, but at the same time their competitors are also in loss due to low market. So it is not the case that the government should sell those ventures which are in loss for a few years. But the planning should be long term.

Future impact(employment, education, health):

Selling the government owned units will earn an economic boost to the nation, also a competitive environment will also help the population to get the product of better quality and at good price, along with better services. This is beneficial for the public, but the sense of monopoly also arises in such structures. Which is not beneficial for the public in any case, also not to the nation.

As the government works towards the development of the nation, the private firms' only goal is to earn profit, hence there is a moral difference between the two. So the social impact of the both are very different in terms of society.

Proper control of government over the private units is necessary, which should make sure that the companies are working properly for the public and also for their employees.

Critic for economic survey:

The economic survey uses the fact that some researchers showed that the privatization is good for a country but it didn't account for those who oppose privatization, instead it ignores them completely, it shows that the proofs that were against the privatization were completely ignored by the government. Similarly it has given the example for British privatization and "only" good aspects of it and ignored the fall backs

Also the survey uses the Difference in Difference method to show that privatized firms performed better than public, but it didn't show if there were any other changes in those firms, as it might be the case that those changes after privatization were the reason for the improvement, not the privatization. Also there is no account for the size of the firms, as bigger units make bigger profit, if they were privatized and market gets boosted in that year, their+ profit will increase proportionately to their size, while smaller units will fail to make comparable profit. Which will add difference in DiD(difference in difference) method

Hence the data provided in the economic survey 2019-20 seems biased towards privatization instead of the one which considers all the aspects equally

The data from the different sources differ in few terms, hence is balanced according to the data provided by the government.

Privatization of Other Sectors :

Till now, we saw the effect of privatization on the PSUs. There are other sectors as well such as Railways, Agriculture that can be taken as case studies for privatization .

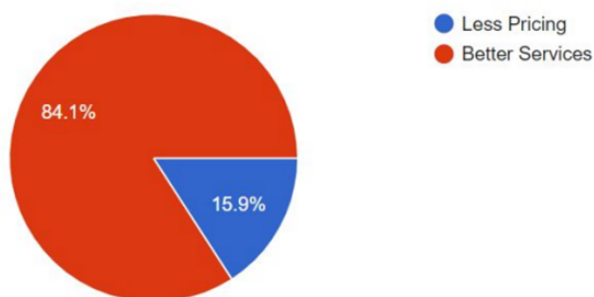
Railways:

Indian railway's main focus is to give connectivity to the people rather than making profit which leads to a loss-making sector for the Indian Government. Almost on every train, **demand is more than the supply**. As a result, these trains are always overcrowded and people can't get seats or are on the waiting list while booking the tickets.

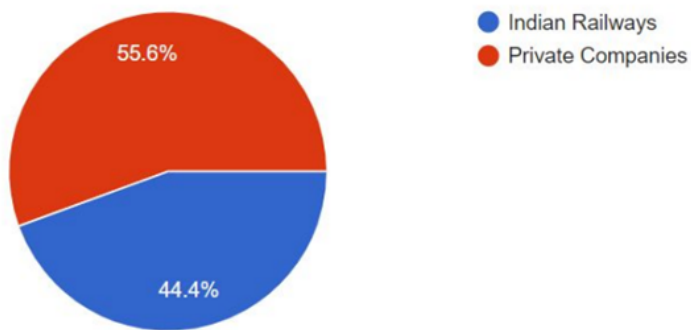
The Indian government approximately recovers only 57% of their costs through the sell of their tickets. Remaining cost is generated from their freight operations.

To tackle this, the government allows private players to enter into the railway sector which will help in providing not only better services to the people but also guaranteed seats and better infrastructure. Although the prices would be higher in private trains but they also had to compete with some of the best trains of the Indian government such as Shatabdi etc. So, private players need to justify the higher prices and provide better offerings so that they can attract the part of the population who are ready to pay that difference.

As per the survey and data that in [ref. 9], 84.1% people want better services as compared to less pricing.



Also, in the survey 56.6% people feel that private companies can provide better services than the government.



Private Vendors are therefore expected to provide better services such as cleaning and sanitation, availability of seats and trains running on time with keeping the price as close to the government trains as possible. And also the security of the people should be the top-most concern.

But counter argument given that it would affect the jobs of the local people who can easily enter into any train and can sell their goods which would not be the case with the private trains. Also the job security for the railway employee would not be there as it comes with government jobs. Along with that, too much higher prices would affect the poor people.

So, the concluding idea is that there should be public-private partnership (PPP) to ensure better services and security, especially infusion of more trains to meet the demand of the people. Also, there should be enough cheaper Indian government trains to tackle the need of the poor people along with better and premium private trains to ensure the demands of the section of population who can pay the even higher prices.

Agriculture:

At present, Agriculture employs 60% of the population yet the contribution is only approx. 20% to the GDP. So, a big reform is needed in the agriculture sector so that agriculture can contribute more and more towards the GDP and take the advantage of India's such vast population and productive land.

Privatization of Agriculture can help in the following ways:

- Introducing more modern state of the art Agro-technologies.
- Helps in increasing overall production and productivity.
- Boosting production will lead to generation of more employees as agriculture is considered to be the most unorganized sector of India despite the share of agriculture in total employment being more than 50%.

Cons:

- Farmers can be exploited by the private monopoly.
- Since, Agriculture is considered as a public service, therefore profit shouldn't be its primary motto.
- Lack of eco-friendly and sustainable agriculture for the commercial benefit and more profit of the private vendors.

Here, also joint ventures as well as **PPP (Public Private Partnership)** which is considered as incomplete privatization should be taken into consideration which enables the government to check the efficiency and at the same time limiting its excesses to some extent.

Event-Based vs. System-Based Thinking

In Event Based Thinking problems are listed as events and solutions as a Quick-Fix reaction. For instance some of the problems with privatization and their quick fix solutions are listed below :

1. The private companies cannot be held accountable for most of the issues faced by the customers.

Solution : The public should be given more power (democratically) to intervene in the issue and the government should find time or form an expertised group to specifically look into the matter. In general more consumer forums can be formed.

2. Privatization often creates a divided society encouraging the richer

Solution : A certain slack of the hospitality provided by private sectors should be kept for the people who are below a certain threshold especially when it comes to medical and other essential public services.

3. Private companies only pick the profitable services. For example if the public bus sector is privatized then the private company will provide the service at a really busy area leaving less populated and rural areas behind.

Solution : A proper monitoring should be done by the state government to find out which regions are not being provided with the essential services and should adopt some new measure to provide the services or should direct the private company to assign at least some buses over to that region.

System Based Thinking(Just an Overview)

In system based thinking in order to solve the problem, system structure must be understood and changed, so that the connections in the structure can be understood thoroughly and the loops in the system can also be seen because of which the system is behaving in a specific way. For instance in our case the structure can be redesigned by the government to actually counter some of the flaws and loopholes in the privatizations scheme , this will take far more work than just writing laws and making amendments to the pre-existing rules.

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