

Privatization of Public Sector Undertakings and Its Impact on Indian Economy

Dr. C . Krishnaveni¹, Dr. S. Umamaheshwari², Dr. D. Anbupriya³

¹Assistant Professor, Vet Institute of Arts and Science, Erode

²Assistant Professor, Vet Institute of Arts and Science, Erode

³Associate Professor, Vet Institute of Arts and Science, Erode

Abstract: India has a mixed economy in which both Private and Public Sectors exist especially in the areas of Banking, Telecom, Road Transport, Education, Healthcare, Manufacturing, Education among others. Many Business analysts and experts on Economy are of the view that privatization could speed up economic growth with the increase in competition while number of them find that the privatization could bring more problems like unemployment taking the economy backwards due to its inherent issues. Reigniting this age-old debate, on February 24, Prime Minister Narendra Modi said “Government has no business to be in business”.

CLASSIFICATION OF PUBLIC SECTOR UNDERTAKINGS:

The PSUs can be classified into three categories as given;

Central Public Sector Enterprises:

CPSEs (Central Public Sector Enterprises) are the enterprises which share 51% or more stocks with Central Government or other CPSEs.

Public Sector Banks:

PSBs (Public Sector Banks) are the Banks which works under the control of the Central Government or other PSB and share 51% or more stocks with them.

State Level Public Enterprises:

SLPEs (State Level Public Enterprises) are the enterprises working under the control of State Government or other SLPEs and share 51% or more stocks with them.

STATUS OF PUBLIC SECTOR UNDERTAKINGS

1. MAHARATNA

It is the highest status of PSUs. To gain the status of Maharatna, a PSU must fulfil the following criteria and gets benefits as follows:

The status of Maharatna is a promotion of a PSU from Navaratna.

The PSU must have the average turnover of 20,000 crore per annum for the last three years.

The company must have the average annual worth of 10,000 crore for the last three years.

The enterprise must also have the average annual profit of 2500 crore during the last three years.

The Maharatna PSUs are provided the power to expand their operations and increase their investments up to 5000 crore.

They can decide their investment up to 15% of their net worth in a project.

2. NAVARATNA

Navaratna is the second highest status given to any PSU in this criterion. It is like a promotion from its lower status Miniratna category 1 to Navaratna. An enterprise needs to secure at least 60 out of 100 marks to be eligible for this status. The marks are given according to six parameters which are discussed below with the benefit of Navaratna status in the last:

Inter-Sectoral comparison based on Net profit to net worth is given 20 marks

Manpower, Production and Services are given maximum 15 marks

Turnover is given maximum 15 marks

Net worth or net profit is given maximum 25 marks

Gross Margin on Capital employed is given maximum 15 marks

Earnings from each shares is given 10 marks

Navaratna can increase their investments up to ₹ 1000 crore.

3. MINIRATNA 1

Miniratna category 1 is the 3rd highest status given to any PSU. The PSU getting profits continually for last 3 years and having a positive net worth during the

same period is considered to be eligible for Miniratna status of category 1 and 2. The condition for Miniratna 1 is as follows:

In the last 3 years, the PSU must have gained profit continuously.

Or

Must have gained the profit of at least 30 crore in one of the last 3 years.

Miniratna 1 has the power to invest up to 500 crore.

4. MINIRATNA 2

Miniratna 2 is lowest status of a PSU under these categories. This status puts the condition as follows:

The PSU must have made profit continuously for the last three years.

The company should also have a positive net worth during the given period.

The PSU under this status can invest up to 300 crore in a project.

PRIVATIZATION OF PUBLIC SECTOR UNDERTAKINGS

The privatization of any organization mainly refers to transferring the power of authority from Government to the Private hands. If same happens in the case of PSUs then it is called the privatization of PSUs. The Public Sector Undertakings are running in India for approximately 58 years but now many renowned personalities of India are suggesting the Indian Government to step up towards the privatization of these PSUs.

PRIVATISED/ACQUIRED/MERGED PUBLIC SECTOR COMPANIES

| S.no | Name of the public sector company | Privatized year | Present owner |
|------|--|-----------------|---|
| 1 | The Madras Aluminium Company Limited (MALCO) | 2004 | Vedanta Resources |
| 2 | Hindustan Teleprinters Limited | 2001 | Himachal Futuristic Communications (HFCL) |
| 3 | Bharat Aluminium Company | 2001 | Vedanta Resources |
| 4 | Hindustan Zinc | 2001 | Vedanta Resources (64.92%), Government of India (29.54%) |
| 5 | Modern Food Industries | 2000 | Grupo Bimbo |
| 6 | MMTC PAMP India Private Limited | 2008 | PAMP, SA Switzerland (71%), Government of India (29%) |
| 7 | Jessop & Company | 2003 | Ruia Group |
| 8 | CMC Limited | 2001 | TCS |
| 9 | Maruti Suzuki | 2002 | Maruti Suzuki |
| 10 | Indian Petrochemicals Corporation Limited | 2007 | Reliance Industries |
| 11 | Hindustan Steelworks Construction Limited | 2017 | NBCC |
| 12 | Donyi Polo Ashok Hotel | 2017 | Government of Arunachal Pradesh (joint venture, Government of India sold its stake to the Government of Arunachal Pradesh) |
| 13 | Madhya Pradesh Ashok Hotel Corporation | 2017 | Government of Madhya Pradesh (transferred ownership to the Government of Madhya Pradesh) |
| 14 | Hotel Janpath | 2018 | Bloom Hotel Group |
| 15 | Bharatpur Ashok Hotel Corporation | 2017 | Government of Rajasthan (transferred ownership to the Government of Rajasthan) |
| 16 | Patliputra Ashok Hotel Corporation | 2018 | Government of Bihar (transferred ownership to the Government of Bihar) |
| 17 | Srinagar Centaur Hotel | 2017 | Government of Jammu and Kashmir (transferred ownership to the Government of Jammu and Kashmir)[5] |
| 18 | Pondicherry Ashok Hotel Corporation | 2017 | Government of Puducherry (transferred ownership to the Government of Puducherry) |
| 19 | Mangalore Refinery & Petrochemicals | 2018 | merged with HPCL |
| 20 | Dredging Corporation of India | 2018 | Broken up among four ports: Vishakhapatnam Port Trust, Paradeep Port Trust, Jawaharlal Nehru Port Trust and Kandla Port Trust |
| 21 | HSCC | 2018 | acquired by NBCC |
| 22 | Rural Electrification Corporation Limited | 2018 | acquired by Power Finance Corporation |

| | | | |
|----|---|------|---|
| 23 | Hindustan Petroleum Corporation Limited | 2018 | acquired by Oil and Natural Gas Corporation (ONGC) |
| 24 | Kamarajar Port | 2019 | acquired by Chennai Port Trust |
| 25 | North Eastern Electric Power Corporation Limited (NEEPCO) | 2020 | acquired by NTPC Limited |
| 26 | Tehri Hydro Development Corporation | 2020 | acquired by NTPC Limited (74.23%), Government of Uttarakhand (25.77%) |
| 27 | Mahanagar Telephone Nigam Limited (MTNL) | 2020 | acquired by Bharat Sanchar Nigam Limited (BSNL) |
| 28 | Hindustan Newsprint | 2020 | Government of Kerala (transferred ownership to the Government of Kerala)[6] |
| 29 | Ranchi Ashok Bihar Hotel Corporation | 2020 | Government of Jharkhand (transferred ownership to the Government of Jharkhand)[7] |
| 30 | Jammu Ashok Hotel Corporation | 2020 | Government of Jammu and Kashmir (transferred ownership to the Government of Jammu and Kashmir)[8] |
| 31 | Air India | 2022 | Tata Group |
| 32 | Air India Express Limited | 2022 | Tata Group |
| 33 | Air India-SATS (AISATS) | 2022 | Tata Group (50%), SATS Ltd (50%) |
| 35 | Neelachal Ispat Nigam Limited (NINL) | 2022 | Tata Steel |

RATIONALE OF PRIVATIZATION OF PSUS

It is obvious that the idea of privatization of many PSUs must not have been arisen instantly but may be the result of many surveys and researches conducted on the concern. Some reasons for the privatization of the PSUs are as follows:

- The PSUs spent unnecessary capital in extra activities including wasting time and manpower, like expenditure in Hindi Pakhwada, Vigilance Pakhwada and Swachh Bharat Pakhwada etc.
- PSUs are very insensitive to the number of employees and accept the candidates for employment in large numbers. It results to the wastage of money paid as salary.
- PSUs are also not concerned about the quality of the services provided and always prefer a long-term tender which reduces the quality of services and wastes the time.
- The Managements in PSUs always fails to conduct a good relation among employees as the Officers assume themselves the master of the Workmen.
- The employees of PSUs are often found irresponsible and they lack accountability. They also found blaming one another for their faults.
- Red-Tapism is the root of the PSUs and that is why it takes long time for any operation to be accomplished.
- The PSUs generally don't acclaim employees according to their performances and the best performer is treated in the same way as a worst or average performer.

- PSUs are often managed by the related ministry and Board of directors lose their power which causes failure to the achievements. So these are the basic reasons, apart from many other reasons, which made the Indian Government to think about the Privatization of the PSUs.

PROS OF PRIVATIZATION OF PUBLIC SECTOR ENTERPRISES ON INDIAN ECONOMY

The privatization of PSUs is the need of the time and is very necessary for the growth of the nation. The privatization has many strong favours and thus seems to be profitable for the country. Some of the Pros/advantages of privatization of PSUs are as follows:

- The PSUs in India are suffering from the problem of inefficiency and privatization would be the best tool to remove this inability.
- The privatization of PSUs will reduce the burden of the Government and will also help in generating financial resources.
- The privatization will also help in improving the performances of the employees, making them accountable and increasing their efficiency.
- The private sectors understand better the value of time and money and so make the optimum utilization of the resources available.
- The privatization of PSUs will bring the competitiveness and thus increasing their productivity, it will bring them in the international markets.

- The privatization of PSUs will free them from the Governmental and political interference.
- Privatization will help in removing the bureaucracy from the Enterprise.

CONS OF PRIVATIZATION OF PUBLIC SECTOR ENTERPRISES ON INDIAN ECONOMY

Although privatization will bring many positive changes in the economy yes it has some dark side too. None of them can be ignored. Though we have prepared to move towards the privatization, it is very important for us to know its cons and should work in reducing their effects. Some of the disadvantages of privatization of PSUs are as follows:

- Although the main goal of privatization is to increase the efficiency of the Enterprise yet the inefficiency at certain extent is found in private organizations too.
- As the PSUs works with the motive to social welfare, the private enterprises will be mostly concerned on the profit of the enterprise.
- The privatization of PSUs will reduce the opportunity of employment.
- It is also seen and is obvious that the employees in private enterprises often become the victim of exploitation.
- Also an Industrial dispute is seen in private enterprises which will be obstacle in the smooth run of the enterprise.

So these are some important Pros and Cons of the privatization of a PSU. Neither any Pros nor any Cons can be avoided, and Government must think over these points seriously. There are some more Pros and Cons apart from these which can affect the economy.

CONCLUSION

The Public Sector Undertakings (PSUs) are a major part of Indian economy. They have been running for a long time in India and are now being captured by some drawbacks. The Government of India has taken serious concerns on them and is planning to privatize the PSUs but before applying the rule of privatization, it must be thought if these problems can be removed without privatizing them. Privatization of the Indian economy will impact us in both ways positively and negatively we need to find a way to implement it in the best way.

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