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Privatization of Indian Industry and its Consequences

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Preface:

After the end of World War II, the developed nations of the world felt the need to restructure international trade. A conference was held in Brettonwoods in 1944 to discuss this. The idea that there should be an international trade body emerged at this conference. It was from this ideology that the GATT Agreement emerged in 1947. It was an important platform for GATT member nations to come together and make decisions on international trade and tariffs. Meetings of member nations were convened after a certain period of time. From 1947 to 1973, GATT held a total of seven meetings. The eighth meeting of the GATT was held in 1986 in Uruguay, South America. Fifteen new topics, including customs and international trade, service trade, legal assets, investment, textiles, agriculture, grants, etc., were newly included in the meeting. The meeting was attended by 102 nations from around the world, considering the international significance of the GATT. This meeting lasted seven years. But in these seven years, no concrete decisions have been made on world trade. Finally, in 1990, a committee was formed under the chairmanship of GATT Secretary General Arthur Dunkel to draft a global trade agreement. The committee drafted international trade in coordination with the interests and future of the world's underdeveloped, developing and developed nations. The draft was called the Dunkel Proposal.

The 500-page proposal, coined by Arthur Duckel, outlines a number of concepts, including globalization of trade, privatization of industries, and liberalization. In 1994, the 132 member states that met in Marrakesh (Morocco) ratified the landmark agreement, ratified the Dunkel proposal, and dissolved the GATT on 1 January 1995, establishing the International Trade Organization.

Dunkel Proposal and India

On June 21, 1919, the Congress government was formed under the leadership of PV Narasimharao. The government faced many problems such as international losses in losses, very small foreign exchange reserves, a sharp decline in foreign capital imports, a large fiscal deficit, low productivity of past investments and temporary losses in the export market. The foreign trade deficit was widening every year rather than increasing exports. Rising foreign debt and the gradual depletion of the Ganges had created a difficult foreign exchange crisis. It was during this time that the Dunkel proposal was published under GATT's Uruguay discussion. The proposal had blown the winds of a free economy into the world. Even India could not stay away from this policy for long. Considering this whole situation, the Government of India announced a new economic policy on 24 July 1991. In the same policy, the Government of India adopted the concept of globalization, liberalization and privatization in the Indian economy and the Government of India adopted the policy of privatization. In this article, I have tried to review the impact of this privatization policy of the Government of India on the Indian economy.

The purpose of the research

- To study the privatization policy of the Government of India.
- To study the impact of privatization on the Indian economy.
- To study privatization and employment.
- Privatization Policy of the Government of India

Simply put, privatization is a process in which the public sector is completely or partially transformed into a private sector. Under privatization, government production processes are transferred from the public sector to the private sector.

The purpose behind the privatization policy of the Government of India

Privatization in India began when Rajiv Gandhi was the Prime Minister. Rajiv Gandhi then gave them autonomy by setting up independent metropolitan telephone corporations for the cities of Delhi and Mumbai. Until then, public sector industries were at a huge loss. At the end of 1991-92, the total investment in 246 PSUs in India was Rs 99,315 core. With the exception of a few industries, all other industries were at a loss. To make up for this loss, the government had to provide Rs 7,000 crore per annum in the budget. All political parties spoke openly about the inefficiency of the public sector but were not prepared to take any political reformist stance against the public sector. It all had an effect on the financial policy of the nation.

P. V. The Narasimha Rao government has been doing this since 1991. This government announced a new industrial policy in 1991. Reduced the number of reserved industries in the public sector from 17 to 6 and stopped providing financial assistance to public sector industries. Since 1991, the government has adopted an export program for privatization

Measures taken by the government in terms of privatization

- Government exempts industrial sector from liability: The Government of India has reduced its list of reserve industries and opened up to private investment other than 18 industrial sectors such as nuclear power, space research, and defense. At the same time, the government accepted the role of regulator and guide in the industrial sector.
- Establishment of National Renewal Fund: The Government of India granted autonomy to 11 public sector enterprises by reducing their rights. It is the largest industry in India and has been named as Navratna Industries Group. This includes a total of eleven industries. Established the National Renewal Fund in 1992 to modernize these industries.
- Policy on Sick Industry: In 1991, the Government of India established the Industrial and Financial Restructuring Corporation with the objective of reviving ailing industries in the public sector. The corporation was given the responsibility of deciding whether to continue or close the ailing public sector industries. Till 1998, 82 industries of Central Government and 143 industries of State Government were handed over to this corporation.
- Launched a divestment program in the public sector: The Government of India has reduced its investment in the public sector and allowed the private sector to invest in those areas. S. N.L. And I.B. P.L. We have reduced our participation in these two initiatives.
- Giving autonomy to public enterprises: The Government of India granted autonomy to public enterprises in 1997-98 to enable them to compete globally. This reduced political interference in such industries and gave them more power to make independent

decisions to compete with the rest of the world. These industries were accorded the status of Maharatna, Navratna and Miniratna to public enterprises.

- Reduction of Public Investment in Public Enterprises: One of the important decisions taken by the Government of India in the matter of privatization was to reduce its share in the public sector and open it to the capital market. This allowed these industries to raise capital from the capital market.
- Amendments to the Industrial Monopoly Prevention Act: The Government of India passed the Monopoly and Restrictive Trading Practices Act, 1969 to prevent the creation of monopolies in the industrial sector. According to this law, the government took over the licensing system and the right to inspect the factories. Under the new Industrial Policy of 1991, the government repealed the licensing system by amending the Monopoly and Preventive Trade Practices Act, 1969.

Impact of privatization on Indian Economy

Privatization ended the monopoly in the manufacturing sector and created competition in the manufacturing sector. This gives consumers the opportunity to choose the right products. Privatization has resulted in favorable outcomes in the service sector such as better amenities, control over wasted components, better efficiency and performance.

Privatization has adverse effects on the welfare of the society, unemployment problems, fear of foreign direct investment and monopolies, investment in luxury and luxury industries instead of essential commodities and inadequate use of productive efficiency.

A review of the privatization policy of the Government of India over the last 25 years

The language of privatization of the public sector has been used since 1991. The Vajpayee government has set up an independent ministry for privatization. In the last 25 years, the Indian government has privatized state-owned enterprises on the sole basis of how much money they will earn by selling their capital to the private sector. The Indian government has sought to reduce the government's fiscal deficit through privatization. In the year 2017-18, the Government of India received a total dividend of about Rs. 1 lakh 43 thousand core from all the public sector except the Reserve Bank. Of this, about Rs 1 lakh crore came from the financial sector, while Rs 43,000 core came from other sectors. Banks were nationalized in 1969. It is because of public sector banking that banking has penetrated all over the country. 35% of loans were extended to small scale industries, small traders, transporters, rickshaw pullers, farmers etc. There was a revolution in the banking sector, including the priority sector. But at that time, it was not until 2010 that the problem of bad debts became so big. Today, however, 10 percent of loans are dubious or bad. Because bad accounts are not a problem created by the poor or public ownership, they are the result of the country's unethical big industrialists and their government backers, as well as the unbridled and foolish privatization policies of the steel-coal-power sector. Moreover, since 1990, government financial institutions, which have been providing long-term industrial credit, have been shut down and converted into ordinary banks. The responsibility for providing industrial credit, which was not borne by the banks, was shifted to ordinary commercial banks. Due to this, the industrialists took advantage of the extremely irresponsible decision of the banks. The history of banking in India in the 75 years before 1969 is the history of sunken private sector banks. Between 1947 and 1969, 559 private banks closed in India. The same number is 36 after 1969. The same can be said of private insurance companies. The Life Insurance Corporation was established by nationalizing life insurance due to malpractices and frauds in the insurance business. In 1973, the general insurance business was nationalized and 4 government insurance companies were set up. Its great benefit is to spread the habit of insurance to the masses in India. An example of an insurance business, the Life Insurance Corporation is one of the best trusted organizations in the world. About 75 per cent of its funds are invested in public utility projects. About 95% of the additional income is distributed to the insured as a bonus. The government gets 5 percent. Yet even the government gets a dividend of thousands of cores on a basic investment of only Rs 5 core.

Conclusion

There is no denying that privatization has improved the economy. At the same time, many questions have arisen. It is not possible to say what the answer will be in the course of time. You will see this through the following points.

- Government of India announced Jandhan Yojana in the year 2014. 16 crore Jandhan accounts were opened under this scheme. From 2018, the Government of India has launched a program to privatize public sector banks by reducing their investments. Inside, it is not certain which private bank will run these Jandhan accounts. It is certain that tomorrow the health system will be privatized and transformed into a partnership between insurance companies, private hospitals and pharmaceutical companies. In fact, it is still very much in vogue today. It does not say how many middle-class families are suffering from the disease and how they will be embarrassed by the rejection of insurance claims.

- Before privatization, a large number of jobs were available in the public sector. Rising unemployment is a serious challenge. Unemployment is one of the most important challenges facing India today. The causes and consequences of this unemployment should be discussed as a top priority. There is a view in the records of the Center for Monitoring Indian Economy. The number of unemployed was 14 cores in 2014, now it is 30 cores. Unemployment is likely to rise further in the near future. Employment opportunities are being eroded by the growing influence of the private sector. In the last 3 years, the year 2017-18 has witnessed the lowest increase in the number of workers in India.

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