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Privatisation of Government Sector: Growth or Curse

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In December of 2020, the CEO of NITI Aayog made a daring statement: "In India, we are too much of democracy so we keep supporting everybody… For the first time in India, a government has thought big in terms of size and scale and said we want to produce global champions. Nobody had the political will and the courage to say that we want to support five companies who want to be global champions." This is a clear policy plan to smash small businesses and establish an oligarchy modeled after post-disintegrated Soviets so that "democracy" can be abolished! Making the epidemic a rationale, the government stated that in the aftermath of COVID 19, monetization strategies are required to produce money in order to pay the "urgent requirement on the public expenditure towards social welfare priorities and socio-economic stimulation efforts. According to the NMP (NATIONAL MONETISATION PIPELINE) document, private investors' "risk appetite" is relatively low to Covid and the deteriorating economy. As a result, NMP intends to provide them with mature brownfield projects with steady and appealing returns to unleash animal spirits.

Keywords: *NITI aayog, democracy, NMP, covid-19, monetization.*

INTRODUCTION

Privatisation means *"the transfer of ownership, management, and control of the public sector enterprises to the private sector."*The private sector in India has been created under Pandit Jawaharlal Nehru's Industrial Strategy. Soon after independence, the Indian government wanted to industrialise the country, taking the lead and investing actively in numerous areas. The private sector was unable to raise the amount of capital needed to industrialise a big country like India. As a result, planned development was considered a solution to the problem. India embraced a mixed economic growth strategy that was inspired in part by the Soviet model of national budgeting and management deployment. Several industries have been identified for government interference and dominance, as well as outright control in certain sectors. At the time, the public sector was a panacea for widespread poverty, discrimination, regional inequality, and out of jobs as well as regional and socio-economic security. **LPG policy,1991** stands for **Globalization through Liberalisation and Privatisation**, is a type of economic reform policy implemented by then-Indian Finance Minister Manmohan Singh and some other ministers of the cabinet to give the Indian economy a much-needed boost. The approach was entirely focused on extending the Indian industry to the rest of the globe. Until then, the Indian economy has been entirely focused on a much more insular stance and functioning of its economy. Given the clearances and fees required to develop any foreign interference on the Indian subcontinent, operating in the Indian sub-continent was nearly impossible. Some companies, such as Reliance and Tata, tried to take advantage of this isolation to build a strong foundation for them that seems to be stronger than ever.

The Indian council admitted to the lending agencies' terms and introduced the New Economic Policy (NEP), which included a wide variety of reforms. We can categorize the measures into two categories:

- ***Structural Changes:*** With a long-term view and the goal of improving the economy and increasing global competitiveness, reforms were implemented to decrease stiffness in many parts of the Indian economy.
- ***Stabilization Procedures (LPG):*** These efforts were made to address the fundamental flaw in the Trade balance and to keep inflation under control. These were only temporary remedies. Long-Term Structural Policies were classified as follows:
- Liberalization,
- Globalization,

- Privatization.

They are referred to collectively as LPG. The balance of payments is a system for recording a country's economic transactions well with the rest of the globe over a year. So when general prices of things in an economy rise over time, the condition is referred to as inflation.

However, the **Peoples' Commission on Public Sector and Services (PCPSS)** issued a ruling proclaiming privatisation to now be "*an affront to the Indian Constitution.*"[1] On the appearance, this seems to be one opinion, and some might even argue with this interpretation. But, an opinion on the benefits or drawbacks of commercialisation is not the same as a stance on reservations. The earlier position on commercialization is typically based on some understanding of how the economy works, whereas the latter can be seen as the frame of reference that the Constitution has established as its inviolable values. The PCPSS, which contains professors, legal experts, veteran administrators, union leaders, as well as social activists, was formed against the backdrop of the intensified Government push for commercialization in the middle of the COVID-related catastrophe. This effort had first been articulated as an element of the Atmanirbhar Bharat package, with the decision to reduce the public sector's participation to a few strategic sectors. The most recent statement is the establishment of a **National Monetization Pipeline** in September 2021. Morphing India, a country of 135 million people, 75 percent of whom are poor and also have low incomes, together into a market economy controlled by oligarchs would then bring a huge number of consumers, farmers, businessmen, and local producers to their knees, subjecting them to the desires of these predators regarding the cost they spend for goods and services purchased. All with the active assistance of the Indian government!

This privatisation and alienation of public assets plan may have irrevocable and severe consequences for the nation's polity and economy:

- Break the legs of said Indian economy, seriously destabilising it.

[1] Peoples' Commission on Public Sector and Public Services, *Privatisation: An Affront to the Indian Constitution* (November 2021) <https://reclaimtherepublicin.files.wordpress.com/2021/11/interim-report-final.pdf> accessed 24 May 2022

- Contravening the Indian Constitution by stimulating economic growth from welfare to exploitation.
- Monopolies control that stifles competition.
- Appeasing crony capitalists while depriving India of "family assets"
- Endanger social and regional security.

CHAPTER 9 OF ECONOMIC SURVEY, 2019-20

"Free enterprise has enabled the creative and the acquisitive urges of man to be given expression in a way which benefits all members of society. Let free enterprise fight back now, not for it, but for all those who believe in freedom."

- Margaret Thatcher

The recent approval of strategic disinvestment in Bharat Petroleum Corporation Limited (BPCL) led to an increase in the value of shareholders' equity of BPCL by ` 33,000 crores when compared to its peer Hindustan Petroleum Corporation Limited (HPCL)! This reflects an increase in the overall value from anticipated gains from consequent improvements in the efficiency of BPCL when compared to HPCL which will continue to be under Government control. This chapter, therefore, examines the realized efficiency gains from privatization in the Indian context. It analyses the before-after performance of 11 CPSEs that had undergone strategic disinvestment from 1999-2000 to 2003-04. To enable a careful comparison using a difference-in-difference methodology, these CPSEs are compared with their peers in the same industry group. The analysis shows that these privatized CPSEs, on an average, perform better post-privatization than their peers in terms of their net worth, net profit, return on assets (ROA), return on equity (RoE), gross revenue, net profit margin, sales growth and gross profit per employee. More importantly, the ROA and net profit margin turned around from negative to positive surpassing that of the peer firms, which indicates that privatized CPSEs have been able to generate more wealth from the same resources. This improved performance holds true for each CPSE taken individually too. The analysis clearly affirms that privatization unlocks the potential of CPSEs to create wealth. The chapter, therefore, bolsters the case for aggressive disinvestment of CPSEs.

THE BENEFITS OF PRIVATISATION

Financial Capabilities: The primary benefit of commercialization is that it generates the monetary capacity for the state to disinvest in public-sector firms.

Higher Resource Utilization: The state service has been observed to have failed to make the best use of the country's assets. The corporate sector might succeed in making the best use of available resources by remaining efficient.

Facing Stiff competition: The majority of public enterprises have monopoly status. It leads to inefficiency and loss. Privatization puts public firms in a competitive position, forcing them to enhance their efficiency.

Alleviate the fiscal burden: Privatization lessens the state's budgetary burden by freeing it of public enterprise losses and shrinking the bureaucracy.

Economic Democracy: Privatization aids in the control of government monopolies. It aids in attracting additional private-sector resources. It arises from economic democracy through private economic engagement.

Improved Labour Relations: Private enterprise may boost the number of stakeholders among workers and the general public. This may subject the businesses to increased public scrutiny.

Minimizing Political Interferences: Privatization lowers political involvement in public sector firms by increasing corporate sector participation in public company management.

Reduced Bureaucracy: Public organizations have become synonymous with bureaucracy. They can be created from bureaucracy through the privatisation process.

Increased Productivity: The corporate market can boost productivity by preserving operational efficiency.

Financial: The privatisation process keeps the economy running, but the functions of public sector enterprises are expensive.

Inspiration: The profit motivation is crucial to the corporate sector's success. Privatization pushes decision-makers to take the entrepreneur's operations more efficiently so they can gain more profits.

PRIVATIZATION'S DRAWBACKS

The Price Dilemma: The government typically prefers to sell the low-margin firms, those that the corporate market is unwilling to purchase at a simple and universally accepted to the government.

Employees' Opposition: Disinvestment tends to generate democratic opponents from workers who may fear for their jobs, political groups who fear short-term poverty as a result of cost-cutting by private owners, civil servants who end up losing patronage, and members of the public who are concerned that national resources are being threatened by foreigners, the wealthy, or a specific ethnic group.

Financial Issue: In emerging countries, the established capital market makes it harder for the state to release stocks and for customers to finance significant transactions.

Natural Monopoly: Privatization in certain low-competition industries may result in the entire monopoly of a particular private enterprise. With a total and utter monopoly over a specific sector, the corporation is allowed to compromise its excellence and set higher pricing rates, among other things, in order to generate big profits. But on the other hand, a government-run organisation would have put the public interest ahead of profit.

Loss of Public Interest: Private corporations that deal primarily with public welfare areas such as health, education, and many others are more concerned with profit than with welfare. This comes at a significant cost to the average individual in the form of more taxes, higher prices, and a lack of service and quality.

The absence of regulations: Privatization transfers control of economic as well as other organizational processes from the government to the private sector. This says that the state has little or no input in the company's actions, and it cannot impose much regulation on the company's operations or policies.

Limited Future Investment: Private enterprises, which are not subject to government supervision or control, may seek short-term benefits at the expense of long-term future projects. This forces businesses to invest in short-term profitable ventures rather than long-term ones.

There is no guarantee of success: Privatization does not guarantee the success of even a single unit. Many corporate sector units have been found to incur significant losses.

Poor Labour Relations: The occurrence of industrial conflicts, which impedes the successful implementation of industries, is an undesirable characteristic of the private sector. There were larger than the government sector for numerous years. The negative repercussions include obvious work stoppages that result in the nation's usage of machinery and equipment, idle labour, manpower waste, loss of production, rule of law issues, and so on.

General Illness: Textile, engineering, chemical, iron, and steel sectors, as well as people, are suffering the consequences of industrial disease. These industries are constantly losing money. It has a negative impact on the industrial environment.

Government Interdependence: The government has imposed excessive management and oversight on the private sector. This has kept competitors from becoming widespread economic phenomena. The corporate market has also become overly reliant on the government to meet its import requirements, output sales, finances, and so on. This has cast doubt on the private sector's ability to stand by itself.

ALL INDIA FORUMS AGAINST PRIVATISATION (AIFAP)

The *All India Forum Against Privatisation (AIFAP)* was formed on July 4, 2021, in an internet-based Foundation Meeting. This Forum already has approximately 40 National Federations of state and public employees' unions, organizations, and people's associations as members. A big number of organizational leaders spoke at the Foundation Meeting, as well as those who couldn't make it sent their best wishes. Several National Federations and Organizations have agreed to support the Forum following the Foundation Meeting, and everyone will be welcomed.

BACKGROUND

Since the Congress-led government has set up the LPG (Globalisation through Liberalisation and Privatisation) Policy in 1991, successive governments at the Centre and in the majority of states have done all possible to put it into effect. This approach benefited both Indian and international monopoly capitalists. From the start, different entities of workers, women, farmers, and citizens saw that it would be bad for the majority of people and worked tirelessly to fight it. Despite this opposition, all administrations had pushed this program through, with varying degrees of success in various areas.

To defeat the people's rebellion, the rulers employed a variety of strategies. On the one hand, private firms were supported at the expense of government firms, which were denied licenses, had their tenders delayed, and so on. One of its most obvious examples is JIO and BSNL. Public and government institutions were denied funds for capacity expansion, and even service and recruiting were put on hold for years. Public officials have told explicit lies and promoted privatisation through various tactics, including commercialisation with the first stage, PPP (Public-Private Partnership), raising capital, monetisation, and on and on. The privatisation program's goal is straightforward: privatise the profits while forcing the state (i.e., the people) to absorb the losses.

OBJECTIVES OF AIFAP

- To resist privatisation or movements toward privatisation in whatever aspect (temporary or permanent sale, commercialization, disinvestment, devaluation, PPP, etc.) of any asset or firm, profit or loss, developed with public funds.

- To strive towards to formation of a broad-based anti-privatization coalition.
- To provide a venue for the sharing of ideas, information, and knowledge concerning every area under attack in order to foster solidarity and mutual support.
- To develop and propose solidarity declarations and actions.
- Engage every member, their families, colleagues, and friends in our shared struggle.
- Engage customers in pro-government campaigns by letting them know of the negative implications of privatisation on society, especially given that workers in one sector are frequently users/consumers in another.

GUIDING IDEA OF AIFAP

"Attack on one is an attack on all."

The Forum will operate democratically. It would not discriminate based on political or labour party affiliations, views, opinions, race, class, sexuality, languages, region, seniority, status, or rank. Any contentious, abusive, or inflammatory writings or suggestions will be rejected by the Forum.

AAP MEMBERSHIP

Any organisation of workers – union members, associations, federations, organisations of persons, ordinary employees (presently working or resigned) of India or of Indian origin, those certain Indian people associated with the Forum's objectives and are prepared to cooperate towards achieving the objectives, regardless of faith, social position, gender, area, beliefs, and ideology, will be welcomed.

CONCLUSION

It is a misconception that privatisation enhances the government's financing available to expand public spending. It is no different than financing the very same amount and investing it because privatising an asset entails giving up the right to the estimated future cash receipts that would create the foundation for its present value. Instead, the inherent bias in commercialisation is towards undervaluing assets upon transfer to private hands via sale - implying that it is usually a losing venture. There appears to be a potential that privatisation as being such is a 'contravention' of the Indian Constitution, but that same Constitution may even be the basis from which it draws its legal legitimacy, in effect by implication due to the lack of any judicial system for correcting such a violation.