Privatization of Public Sector Undertaking (PSUs): Opportunities and Challenges.

What are PSUs?

Public Sector Undertakings (PSU) relates to a commercial entity, a company, or a government-controlled organization that is indirectly held by Indian citizens. Under certain circumstances, it also is referred to as PSEs, or Public Sector Enterprises, because the undertaking term is considered ancient. To put it into concrete, "a PSU is a government-owned firm in which the government of India, or state governments, or a combination of both, holds a majority, which is 51 percent or more of the paid-up share capital in a PSU."

Need of PSUs:

Prior to independence, India had just a few public-sector enterprises. Except for Post and Telegraph and Railways, there were virtually no public sector operations, albeit very tiny companies had been established in various States and Provinces. Even after independence, no attempt was made to establish industries in the public sector for a period of time since the government lacked a defined strategy and attitude in this respect.

The Government decided in the Industrial Policy Resolution of 1948 that there were some crucial sectors of the economy wherein public-sector industries would indeed be established. The public sector, on the other hand, became increasingly influential in 1954, when the Indian Parliament endorsed and enacted a resolution declaring that a socialist economy was the way of the future of Indian economy.

When the new Industrial Policy Resolution was adopted in 1956, it was explicitly stated that all basic and crucial industries would be formed in the public sector rather than the private sector, implying that the government would take ultimate responsibility for the establishment of new industries. As a consequence of this clear policy, the government has been establishing ever more industries in crucial and essential areas of the national economy, such as fertilizers, metals, telecommunications, industrial equipment, engineering services items, and so on, throughout the years.

The main purpose of creating or establishing the PSU is to eliminate disparities and ramp up a country's economic growth and development by providing a strong industrial base countrywide, improving the quality of employment in the country by providing lucrative pay packages, job security etc., improving nation’s fundamental infrastructure, improving trade relations with foreign countries and many more.

Growth of PSUs in India:

Since India's independence, the public sector was by far the most steady and visible contributor to the country's economic growth. The public sector has not only aided to GDP growth and development, but it has also given the people of the country a sense of self-reliance. The services of the public sector have set the groundwork for numerous other sectors to expand and prosper.

As per the article published in Economic Times, according to the government, the overall profit of 177 public sector organizations (PSUs) out of 255 operating entities increased by 37.53 percent to Rs 1,89,320 crore in the fiscal year 2020-21.

It also tells that, there are 255 operational central public sector enterprises (CPSEs) as of March 31, 2021, with a total turnover of Rs 24,26,045 crore in FY 2020-21. 177 of these CPSEs are profitable, with a combined profit of Rs 1,89,320 crore. The overall profit of profit-making CPSEs climbed by 37.53 percent during FY 2020-21 over the previous year, while the total loss of loss-making CPSEs reduced by 29.86 percent.

According to the statistics supplied by the Navratnas CPSEs for FY 2020-21, the overall profit performance of most of the Navratnas CPSEs has improved over the previous year. Moreover none of the Navratnas CPSEs have reported job losses as a result of cost-cutting initiatives.

Petroleum (Refinery & Marketing), Coal, Crude Oil, Steel, Electricity (Power Generation), Trading and Marketing services contributed the most to the country's GDP among the major sectors. Other PSUs' contributions to India's GDP increased significantly, including Tourist Services, Financial Services, Electricity (Power Transmission), Transport Services, Industrial Development & Technical Consultancies Services, Consumer Goods, and Agro Based Industries.

PSUs have offered self-reliance to the people of this country as the most important contribution they have made to the country. In the event of a disaster such as a war or famine, the public sector has demonstrated its unity and demeanor by adapting and providing the country's continuing support. During the 1965 and 1971 wars, which were fought mostly in the states of Rajasthan, Punjab, and Jammu & Kashmir, the individual states were forced to suspend all economic activity in order to secure the safety of their citizens. During such moments of fear and stress, it was the public sector that supplied sustenance and security to its citizens by offering employment stability and promotion.

With a population of over 1.3 billion people, India has experienced tremendous expansion in a variety of industries, including construction, logistics, transport, media, information technology, and much more. The sustainability and durability of PSUs, however, has been the ultimate underpinning for each of these industries to expand and thrive. When the whole globe crumbled in 2008-09 as a result of the global crisis, India was the only country that stood strong and proud, defying the global disaster. PSU banks with good fundamentals that followed the RBI's strict standards never had to worry about the market's global uncertainties back then. Given the support of strong agro-based PSUs like National Seed Corporation to assure sufficient food supply and price stability to the poor, the ordinary man of India, particularly the rural and impoverished, has never had to worry about food security.

In 2014-15, India's government, led by Prime Minister Shri Narendra Modi, successfully launched the "Make in India" project. The plan is part of a larger series of activities aimed at transforming India into a worldwide design and manufacturing center.

The Indian government has now increased its attention on PSUs in 25 key economic sectors as part of this agenda. PSUs in a variety of industries will have the opportunity to expand their operations, improve resource allocation, update factories and procedures, and raise India's profile as a manufacturing powerhouse. PSUs that have served the country for more than six decades have always competed with the government of India to improve the country's economic growth, and they will continue to contribute their acumen and knowledge to the program's success.

After achieving the Maharatnas PSU designation, PSUs such as Bharat Heavy Electricals and Steel Authority of India Limited have not only created a mark for their own organizations and sectors, but have also established the groundwork for the growth of different sectors and industries. The development of such an organization necessitates a significant amount of cash and serves as a critical growth engine. The government of India has made this amount of money accessible to help accelerate and strengthen the nation's infrastructure. These wonderfully operated businesses have set the path for growth in the electricity, infrastructure, highways, and construction sectors via their honest and impassioned labour.

The public sector also plays an important role in ensuring growth in various sections of the country. Large public sector organizations, such as Indian Oil Corporation Limited, have offices and production facilities around the nation, from third-tier villages to first-tier cities, providing potential for economic development in economically depressed areas. PSUs guarantee that all parts of society and the country have equal opportunity for growth and prosperity by fulfilling these duties.

PSUs often operate with a stronger motivation to succeed. Unlike private players that are solely interested in making a profit, PSU establishments have a greater purpose for their survival. PSU companies focus on issues of national importance such as uplifting the underprivileged, providing food for society, ensuring growth via roads and infrastructure, providing power to communities, educating the impoverished, and a variety of other social challenges. PSUs are the only entities that take on such matters of national importance. For example, when the country needed to modernize its technology and communication in the 1980s, it was MTNL, which was supported by the Ministry of Telecommunications that created the foundation for growth and provided connectivity to friends and family in other parts of the world. NTPC Limited, India's largest power business, was founded in 1975 to speed up India's power growth and serve the country's people. Today, as India's largest power utility with 47,228 MW of installed capacity, it aims to grow to 128,000 MW by 2032 and become the world's largest and greatest power provider.

Given their mission, PSUs now serve as a barrier to protect the average man from any action that is necessary for survival. Competition from private businesses, for example, has been a key concern for farmers and inhabitants of the country as the agriculture industry has grown. Price manipulation and monopolistic tactics are two potential threats offered by private actors. Private actors with large capital investments and marketing campaigns can represent a significant danger to the nation's food security and survival. In such situations, it is a public sector organization like the National Seed Corporation that stands out in terms of its commitment to providing rice and wheat harvests to the country's rural and disadvantaged populations, as well as preventing illicit price fluctuations and inflation. After Mahyco

Monsanto Biotech (India) Limited merged, they used a monopolistic pricing approach to take advantage of cotton producers, as an example of industrial consolidation. Following a directive from the agriculture ministry in November 2015 to look into alleged monopoly practices by the (MMBL), which is an equal joint venture between Mahyco and Monsanto, the anti-monopoly watchdog Competition Commission of India (CCI) found prima facie that the Indian subsidiary of the US Agro Chemical giant had violated competition regulation and initiated an investigation into the matter. Now, in order to protect farmers and consumers from future acts of monopolistic practice or price manipulation, the PSU is taking steps to assure their safety.

To summarize, the value of a public sector enterprise in terms of its contribution to the Indian economy cannot be assessed solely through the prism of quantitative data. Its value to the Indian economy must be measured not just in terms of numbers, but also in terms of its contribution to society. To determine the PSU sector's prowess and vital contribution to the Indian economy, the level at which it provides national security, self-reliance, export promotion, regional equity, and job possibilities must be analyzed.

Advantages of PSUs:

Just because PSUs are often huge, they can enjoy economies of scale, such like lower cost and higher service quality. Furthermore, because public entities are entirely controlled by the government, planning and coordination are made easier because the government has complete authority over particular products. Public entities have an independent structure, which allows them to operate with a considerable deal of flexibility.

Public entities can also develop rules and processes to benefit the general public. Bonds are another way for these firms to raise money. This is where private money comes in; public entities are not obligated to rely solely on government revenues.

Disadvantages of PSUs:

A public company might be challenging to administer, as several meetings with various government authorities may be necessary. As a result, while judgments can be taken fast, the decision-making process can become extremely sluggish if multiple staff members are required to attend meetings on short notice.

Because they can't go bankrupt and there isn't enough competition to properly grasp the price point and quality, such enterprises may wind up providing low-quality, expensive goods. The government will grant subsidies to a public firm that experiences a financial loss. The more money the government has to spend, the more money the firm loses, putting a burden on government resources.

While the public company has an independent structure, which is typically regarded as advantageous, many people regard this as a negative because governments own such firms. While the government company enjoys immunity, this might lead to abuse of authority and corruption on the part of some government employees.

Many of these corporations are monopolies. Because there is little competition, some organizations may perform poorly because they place less emphasis on developing the things they sell; also, customer service may not be a primary concern. Maintaining and operating public businesses is costly. They may also participate in anti-social behavior, such as charging excessive prices for items or supplying insufficient goods to customers.

Problems associated with PSUs:

No doubts, Public Sector Undertakings (PSUs) have provided a strong basis for the country's industrial growth, and they continue to be the government's primary source of employment generation, but the business climate for PSUs has dramatically changed in the modern world and in an increasingly competitive scenario. The PSUs are finding difficult, battling against global behemoths. This rivalry has resulted in a significant shift in how public sector organizations are perceived in terms of their tasks and responsibilities, ownership and management, and autonomy and character.

The major problems associated with the PSUs are as follows:

1. *Under-Utilization of Capacity*: One of the most prevalent restrictions that practically all public sector firms face is under-utilization of production capacity. In 1986-87, 90 of the 175 public sector units were able to employ more than 75% of their capabilities, 56 units were able to utilize 50% to 75% of their capacities, and the other 29 units were able to utilize less than 50% of their capacities. Long gestation periods, massive in-built capabilities, ambitious planning scales based on poor economic (especially market) data, insufficient motivation, lack of initiatives, and obsolescence of the product mix were all factors.

2. *Huge SOCIAL COSTS*: Public-sector companies are burdened by high social expenditures, such as spending on townships and providing ancillary benefits to their workers.
3. *Technology Gap*: Some of India's public sector firms are experiencing a technological gap because they have been unable to implement cutting-edge technologies in their production systems, resulting in higher unit costs and reduced output. This limitation affects companies like I.I.S.C.O., E.C.L., and others.
4. *Government Intervention*: Significant government interference in the day-to-day operations of public sector firms has diminished management autonomy in terms of hiring, pricing, and purchasing, among other things.
5. *Operational and Management Inadequacies*: India's public sector firms are also plagued by operational and managerial inadequacies and inefficiencies, which result in massive waste and money leakage in their day-to-day operations.
6. *Marketing Constraints*: Some public sector units are facing marketing constraints because they are unable to collect a good market for some of their products because the market has already been captured by some large private industrial houses, resulting in a constant increase in inventories due to repetitive types of production mix.
7. *External Factors*: Workers at public-sector firms lack sincerity and dedication to their jobs, resulting in the squandering of working hours, which has an impact on the enterprises' productive capacity. Furthermore, external issues such as excessive trade unionism, union rivalry, and labour unrest are undermining the smooth operation of the country's public sector firms' production systems.
8. *Absence of Rational Pricing*: In India, public sector firms suffer from a lack of rational pricing since the prices of their products are established by a price strategy that takes into account three factors:

   (a) Profit as a price-fixing criterion,

   (b) The public utility concept is based on a non-profit basis, and

   (c) The price of import parity.

   Thus, price regulation by the government, both official and informal, in the benefit of the economy and consumers in general, as well as price stability, are also to blame for the massive losses suffered by certain of our country's businesses. Furthermore, these public firms' subsidization of the pricing of part of the produce had given rise to the difficulties.

In response to the difficulties of sickness that public businesses confront, the Standing Conference on Public Enterprises (SCOPE) has formed a committee to investigate different areas of public sector sickness.

In its recently submitted report (in December 1995) on its evaluation of PSU problems, the committee concluded that too much government interference in areas such as autonomy and accountability, board of directors composition, top management continuity, and management discretion over investment, employment, pricing, and wages had a negative impact on PSU performance.

Another driver of PSU failure was poor financial planning, with many ailing enterprises having taken on too much debt.

The SCOPE Committee was also disappointed that the government, as a promoter, charged a 1% fee from its own ill enterprises for issuing bank loan guarantees, which were only for a year at a time, although private sector promoters did not charge any cost for such guarantees.

Various other issues, such as resource allocation, delays in filling top-level positions, strict regulations and procedures for investment, and limitations on functional independence of enterprises, such as in regard to labour and wage policy, have all hampered the operational efficiency of the country's public sector enterprises.

What is privatization?

The transferring of government services or assets to the private sector is referred to as privatization. The government's assets may be transferred to the private sector, or legislative barriers to rivalry between publicly and privately owned businesses could be abolished. Privatization refers to the sale of services that were formerly provided by the government. The rationale for privatization is generally that privately held businesses are subject to market laws and hence more efficient. In other words, privatization means that privately held enterprises are highly appreciated and maintained in a better manner. Both of these arguments support the notion that privatization improves public benefits and wellbeing.

Objectives of Privatization:

The government's disinvestment policies in India are largely aimed at minimizing the government's financial burden. Taking back the share from failing PSUs and ineffective management of sick units would aid in the improvement of public finances. Privatization will pave the road for resource optimization that maximizes profits.

Nearly Rs. 2 lakh crores in PSUs has been banned by the Indian government. As a result, disinvesting government stakes will have far-reaching consequences for the Indian economy. This money might be used to finance India's growing fiscal deficit, infrastructure projects, debt reduction, and social programme execution.

PSUs are squandering taxpayer funds. Better use of public funds is required. In reality, the government must guarantee that tax income is earmarked for economic growth rather than being squandered. For the government, selling such PSUs generates both non-tax and tax revenue.

History of privatization:

The performance of India's public sector firms has been heavily criticized throughout the previous 58 years or so. To be sure, the public sector firms were established not just for the sake of constructing a socialist social structure.

In reality, the most essential reason that led to the rise of the public sector was the need to provide suitable infrastructure facilities. This is because the private sector is not only unwilling, but also unable to generate social overhead capital. The two sectors are meant to complement one another in a mixed economy framework. In India, however, the public sector served as a feeder to the private sector throughout the planning period, notwithstanding the latter's inefficiencies.

Furthermore, the loss of the public sector aids the private sector in amassing riches. That is why, in the early 1990s, a concern arose in the minds of our country's leaders: How long should public-sector industries sustain losses by only serving as a complement?

They frequently argue that India's private sector sectors have reached a reasonable level of maturity over time. These sectors' investment potential and management efficiency are no less inferior to those of public sector industries. As a result, the private sector's expansion is required.

When the Cong. (I) Government, led by P.V. Narasimha Rao, came to office in 1991, the demand for privatization of the public sector rose sharply in view of the failure of the public sector and the success of private sector enterprises. This was the period when the then-Soviet Union started on economic reforms known as 'Perestroika' (meaning ‘reconstruction' or ‘restructuring' of the economic system) with the goal of demolishing the socialist system and instituting privatization.

This privatization tsunami swept across India. The gospel of privatization was also promoted by international financial institutions. In a 1991 study, the World Bank advocated for the implementation of a "market-friendly" strategy, advising us to liberalize and decontrol the public sector. These institutions think that the market will solve all of the issues. All kinds of economic issues may be traced back to the market system.

Due to the poor functioning of various public sector firms and the government's massive budgetary deficits, the question of privatization has risen to the fore. Because the government needs to provide budgetary assistance to failing public concerns, the government's fiscal deficit has been growing year after year. Privatization, through an act of disinvestment, i.e. selling public sector equities to mutual funds, financial institutions, and the private sector, was one specific action used to decrease the deficit.

With the sale of minority holdings in several PSUs in 1991-92, the privatization process began. The emphasis has switched to strategic sales after 1999-2000. As part of strategic sales, the government intends to guarantee that no employees will be laid off for at least a year following privatization.

Another significant movement in disinvestment strategy occurred in 2004-05, when the government chose to "dilute its equity and raise resources to address the social needs of the people," a break from strategic sales.

Over the period 1991-92 to March 2007-08, the government was able to recoup roughly Rs 51,573 crore through PSE disinvestment. Disinvestment was mostly accomplished between 1990 and 2000 by selling minority interests in small batches. Between 1999-2000 and 2003-04, the focus shifted from disinvestment to strategic sale. The current policy is for large, profitable CPSEs to be listed on domestic stock markets.

This action by the government suggests that India's private sector companies are not as inefficient as its public sector sectors. The public sector is known for its administrative and management inefficiencies. The government is incapable of managing these high-cost public-sector enterprises. The government, unable to fix the issue, resorted to privatization. As a result, it was a forcible privatization.

In December 2002, the present course of privatization strategy was spelled out. The government has said in Parliament that the major goal of disinvestment is to maximize the utilization of national resources and assets, particularly the economic potential of our public sector firms.

Why do we need to privatize?

- To lighten the government's load
- To enhance the state's finances
- To support infrastructure development
- To improve competition
- Lessening unnecessarily intrusive behavior
- A more disciplined workforce is a bonus.
- Shareholder accountability

Through costless bargaining, based on the personal incentives, the private sector has successful strategies in addressing the problem of externalities. Individual parties will participate in a cost-benefit analysis, which will finally result in the most efficient solution, according to the Coase Theorem (Mankiw, 2001).

In comparison to the public sector, the private sector reacts to market incentives. On the other side, the public sector frequently pursues non-economic objectives. Because the public sector is not highly motivated to optimize productivity and effectively manage resources, the government is forced to operate high-cost, low-income businesses. Privatization moves the focus away from political aims and toward economic goals, resulting in the growth of the market economy (Poole, 1996). Because faulty government policies and government corruption may have a big, negative impact on economic growth, the downscaling part of privatization is critical (Easterly, 2001). Because the government's position in the economy is reduced as a result of privatization, there is less probability that the government will have a negative influence on the economy (Poole, 1996).

Privatization has the potential to improve a country's economic status. Privatization should not be used to fund additional government spending or repay existing debts. Privatization, on the other hand, allows governments to pay off a portion of their current debt, lowering interest rates and increasing investment. By shrinking the public sector, the government cuts overall spending and begins collecting taxes on all of the newly privatized enterprises. This approach may be able to help break the vicious cycle of over-borrowing and rising national debt (Poole, 1996).

Various ways of privatization public assets have been used by countries across the world, depending on the starting economic situation of the nation and the economic ideals of the ruling political party.

The selling of state-owned firms to private investors is a common technique of privatization. The state would simply determine which institutions should be privatized, and private investors would be able to purchase shares in each organization through a market system. The advantage of this privatization technique is that it generates much-needed money for the government while placing privatized enterprises in the hands of investors with the motivations and resources to invest and reform them.

Voucher privatization is another technique of privatization. Vouchers are distributed to all qualified residents by the government, which may be sold to other investors or swapped for shares in other privatized organizations. Although this strategy does not generate profits for the government, it does allow the state to privatize state-owned businesses in a very short amount of time.

Internal privatization, sometimes known as "employee or management buyout," is the next technique of privation. State-owned firms are sold to management who are already familiar with the firm and its structure (for a very low price), yet the state receives very little money. This strategy offers some incentives, but when companies are sold to strategic investors, the incentives are considerably greater. Furthermore, new owners frequently lack the financial means to invest and reorganize, which is desperately required in a huge number of state-owned enterprises in developing nations (Stirbock, 2001).

One of the most prominent features of privatization is the increased competitiveness it brings to firms, which has shown to be beneficial to both the business and the country. Nonetheless, merger factors and even worldwide concerns have a significant impact on privatization contracts, which are designed around the manipulation of government and private parties, as well as the administering jurisdiction.

Forms of privatization:

Privatization may be divided into three categories:

- *Delegation*: The government retains ownership and control of an enterprise through a contract, franchise, lease, grant, or other means. However, the everyday operations and delivery of the product or service will be handled by a private corporation. The state will continue to be a key player in this process.

- *Divestment*: One or more private corporations will buy a controlling share in the company from the government. It may retain some ownership, but it will be a minority investor in the company.

- *Displacement*: Deregulation will be the initial stage in this process. Private players will be able to enter the market as a result of this. And the private corporation will progressively supplant the state enterprise. In this case, the private sector will compete with public enterprises and eventually surpass them, displacing the public sector.

- *Disinvestment: Direct sale of a portion or the entire public company to private parties is known as disinvestment.*

Privatization and Indian economy:

Shri G.V. Ramakrishna was the first Chairman of the Public Sector Disinvestment Commission. The group was established in 1994 with the goal of developing a long-term disinvestment strategy. The commission recommended that PSUs be restructured before being disinvested in order to increase their share value. In India, disinvestment began in 1991-92, when 31 PSUs were sold for Rs.3, 038 crore. In India, G V Ramakrishna advised, oversaw, and managed disinvestments. The Disinvestment Commission, on the other hand, ceased to function in May 2004.

The Ministry of Finance established the Department of Disinvestment in 1999. The government aimed to raise Rs. 54,300 crore via PSU disinvestments by 2000-01, but only managed to raise Rs. 20,078.62 crore, less than half of its objective. Surprisingly, the government only met its yearly objective three times out of ten years. Over a target sum of Rs. 3,500 crore, the revenues from PSU disinvestment were zero in 1993-94.

Many disinvestments occurred between 2001-02 and 2003-04. The government retained control of the operation and planned sales and offers for sale to the general public. Bharat Aluminium Co.Ltd., Cmc Ltd., Hindustan Zinc Ltd., Indian Petrochemicals Corp.Ltd., And Maruti Suzuki India Ltd. were among the enterprises that were sold during this period. The government raised Rs. 21,163.68 crore towards the goal disinvestment of Rs. 38,500 crore.

2009-10-2019-20 The government disinvested by selling minority holdings in profit-making public sector enterprises like as NHPC Ltd., Oil India Ltd., NTPC Ltd., NMDC, and others.

Disinvestment was re-energized in following years, and by 2017-18, there was a significant improvement. In comparison to Rs. 72,500 crores, the government raised Rs. 1, 00,642 crore. However, the objective for 2019-20 was reduced to Rs. 49,828 crores, while the milestone was set at Rs. 90,000 crores.

In the largest privatization drive in history, the Union Cabinet approved the sale of the government's stakes in Bharat Petroleum Corporation Ltd (BPCL), Shipping Corporation of India, on-land cargo mover Container Corporation of India, THDC India, and North Eastern Electric Power Corp Ltd (NEEPCO), among others, in 2019.

There are many examples of privatization of companies in India such as:

- Videsh Sanchar Nigam Limited (VSNL)
- Hotel Corporation Limited of India (HCL)
- Lagan Jute Machinery Company Limited (LJMC)
- Bharat Aluminium Company limited (BALCO)
- Hindustan Zinc Limited (HZL)

In October 1991, necessary law was changed to allow private firms to enter the electricity generation industry, kicking off privatisation in the infrastructure sector. In the telecoms industry, reforms have proven quite effective. In 1992, value-added services were made available to the private sector, followed by the announcement of the National Telecom Policy in 1994-95, which allowed competition in basic telecom services. In the event of a joint venture between an Indian and a foreign corporation, foreign equity involvement of up to 49 percent was permissible.

In 1997, India's Telecom Regulatory Authority (TRAI) was founded. In 1999-2000, a new Department of Telecom Services was established to separate the service-providing role of publicly owned telecom firms from the policy-making function, both of which were previously under the Department of Telecommunications. In 2000-01, the two public-sector service providers were privatised. In 2002-03, the hitherto monopolised international long-distance business was allowed to unlimited entry.

Infrastructure changes are also taking place in the road sector. The Central Road Fund (CRF) was established as a major new source of finance for national, state, and rural road building under the Central Road Fund Act of 2000. The CRF-funded National Roadway Development Project is one of the world's largest single highway projects. It comprises the almost 6,000-kilometer Golden Quadrilateral (GQ) connecting Chennai, Delhi, Kolkata, and Mumbai, as well as the 7,300-kilometer North-South and East-West Corridor.

Hindustan Zinc Limited:

Hindustan Zinc Limited is a zinc, lead, silver, and cadmium mining and Resource Company based in India. Under the leadership of Atal Bihari Vajpayee and the Bharatiya Janata Party, the Indian government sold the corporation to Vedanta Limited in 2003. HZL is the world's second-largest zinc producer. They are the world's largest zinc and silver producers.

On 10 January 1966, Hindustan Zinc Limited was formed as a Public Sector Undertaking from the former Metal Corporation of India. However, the government of India placed the firm up for sale in 2001 as part of the government's loss-making PSU disinvestment policy.

Sterlite Opportunities & Ventures Limited purchased a 64.92 percent ownership in the corporation, making it a private sector entity with a 35.08 percent stake held by the government of India. In August 2013, Sterlite Industries and Sesa Goa Ltd amalgamated to establish Sesa Sterlite Limited. In April 2015, Sesa Sterlite was renamed Vedanta Limited. Hindustan Zinc Limited is a subsidiary of Vedanta Limited.

The headquarters of Hindustan Zinc Limited are in Udaipur, Rajasthan, India. The firm solely provides services in the United States. According to 2021, the company's revenue was 24,448.00 crore (US$3.2 billion), operating income was 10,960.00 crore (US$1.4 billion), net income was 7,980.00 crore (US$1.0 billion), total assets were 45,727.00 crore (US$6.0 billion), and total equity was 32,313.00 crore (US$4.2 billion). According to 2021statistics the company had a number of 19000+ employees under its leadership.

Advantages of Privatization:

The benefits of privatization may be seen in both the microeconomic and macroeconomic effects that it has:

-*Microeconomic advantages*: In terms of competitiveness, state-owned firms are often outperformed by private enterprises. When compared to the former, the latter produces superior earnings, efficiency, and productivity. As a result, privatization may be able to provide lagging PSUs the boost they require.Privatization results in significant structural changes, giving competitive sectors a boost.

Privatization leads to the adoption of global best practices, as well as the administration and encouragement of the greatest human talent, in order to develop long-term competitive advantage and improved resource management.

-*Macroeconomic benefits*: Privatization has a favorable influence on the financial growth of formerly state-controlled sectors by reducing deficits and indebtedness. Through privatization, the net transfer to state-owned enterprises is reduced.

It contributes to the industry's overall performance benchmarks being raised. It may have an unfavorable influence on employees at first, but it will eventually be beneficial to their growth and profitability in the long run. Clients receive better and faster service from privatized businesses, and the country's general infrastructure improves.

Disadvantages of Privatization:

Though privatization provides a number of advantages, but it also has a number of drawbacks:

1. In contrast to the public sector, which begins socially feasible modifications in the event of emergencies and criticalities, the private sector concentrates primarily on profit maximization and less on social objectives.

2. In the private sector, there is a lack of transparency, and stakeholders do not have comprehensive knowledge about the operation of the company.

3. Privatization has unnecessarily aided corruption and illegal methods of obtaining licenses and conducting business between the government and private bidders. Lobbying and bribery are two prevalent difficulties that taint privatization's actual use.

4. Privatization dilutes the objective for which the company was founded, and profit maximization fosters malpractices such as lower-quality product manufacturing, increased hidden indirect expenses, and price inflation, among other things.

5. Privatization causes substantial personnel turnover, necessitating a significant investment in training workers and even bringing existing PSU labour up to speed with current commercial practices.

6. Because privatized firms do longer get government subsidies after the agreement, price inflation is exacerbated, and the weight of this inflation falls on the average person.

Issues related to privatization:

- There are no buyers for PSEs that are losing money: With their massive debt and employee responsibilities, no one would acquire a PSE.
  If shares in public firms are offered for sale to the private sector, the latter will, understandably, be solely interested in profit-making concerns.
  As a result, the government may be forced to compensate the buyer, as was the case with the privatization of the Delhi Discom.
- Privatization is not the first option: Privatization is not the default option in India; rather, it is used only when absolutely necessary.
  This might explain the government's reluctance to privatize some of the country's major loss-making PSEs, such as Air India, BSNL, and MTNL.
- Excessive bureaucratization: India's public sector sectors are beset with inefficiency as a result of excessive bureaucratization. Their chairman-cum-managing directors are either bureaucrats lacking in subject understanding or technical service personnel lacking in commercial sense.
  The administrative pricing mechanism is also triggered by monopoly/oligopoly of specific PSEs.
  Oil PSEs, for example, have been permitted to profit because they have the ability to dictate oil price; this allows them to profit, but there have been no advances in the oil marketing sector.
- The post-privatization market structure has a significant impact on PSE valuation.
- Since the government had to provide fiscal support to loss-making public companies, the government's budget imbalance grew year after year. Privatization, by an act of disinvestment, is one specific approach adopted to lower the deficit.
  However, the manner wherein divestment has been carried out creates the appearance that it is more of a budget-balancing exercise than a restructuring of PSEs.

Conclusion:

In India, privatization is a long-term process that has been dragging on for many years. It's a significant step forward in terms of growth and good governance. With the epidemic, the government bears a greater responsibility for steering the privatization movement in the proper path and achieving positive results.

The necessity to privatize will also benefit the economy. PSUs have helped to the country's progress, yet they have several flaws. Privatization has both benefits and drawbacks. To improve efficiency, the government should pursue complete and partial privatization. But, at the same time, social fairness is essential and should not be overlooked while changes are implemented.

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