



CLASS – 11

ECONOMICS

Indian Economy Development

CH-3

Liberalisation, Privatisation & Globalisation : An Appraisal

Part – 3

Privatisation

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OVERVIEW



1. Economic Reforms & New Economic Policy

2. Liberalisation

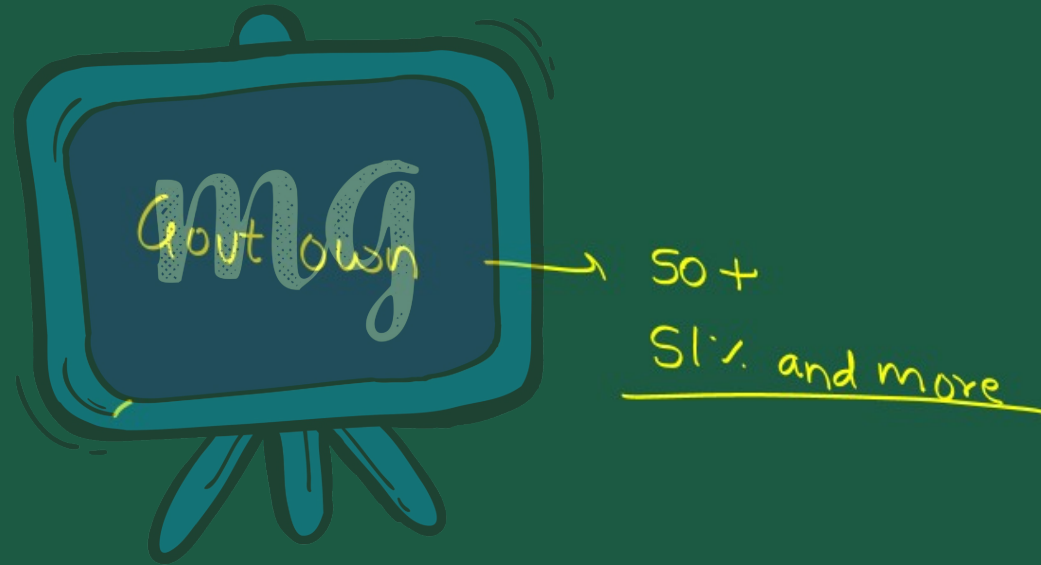
3. Privatisation

4. Globalisation

5. Indian Economy During Reforms

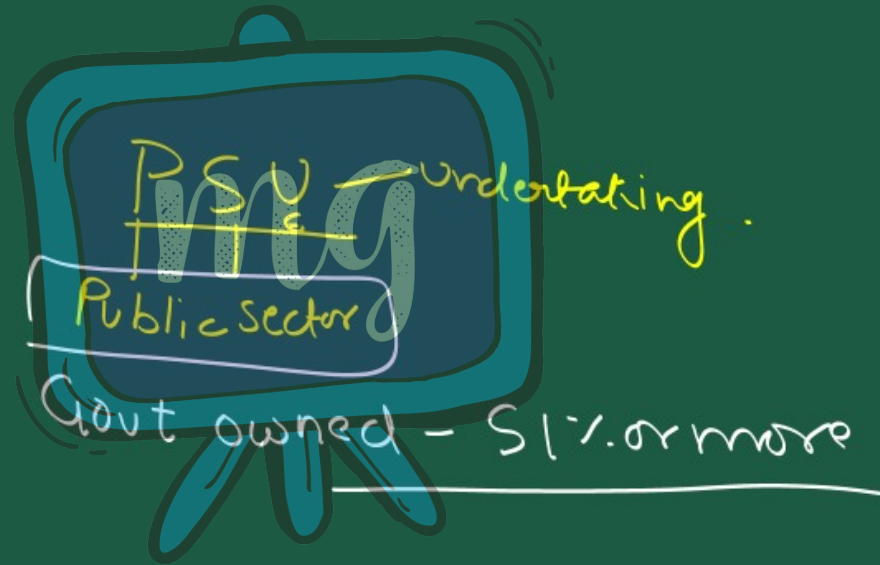
PRIVATISATION

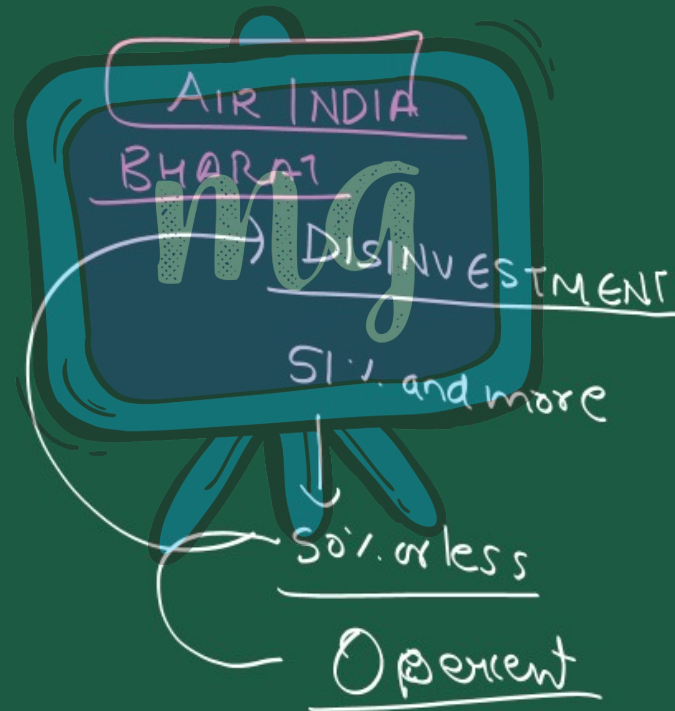
- The involvement of the private sector in the ownership or operation of a state-owned enterprise.
- It implies the gradual withdrawal of government ownership/management from public sector enterprises.





- To improve financial discipline and facilitate modernisation.
- Private capital and managerial capabilities could be effectively utilised to improve the performance of the PSUs.





DISINVESTMENT

- Privatisation of the public sector enterprises by selling off part of the equity of PSEs to the public is known as **Disinvestment**.
- It is an instrument to promote privatisation.



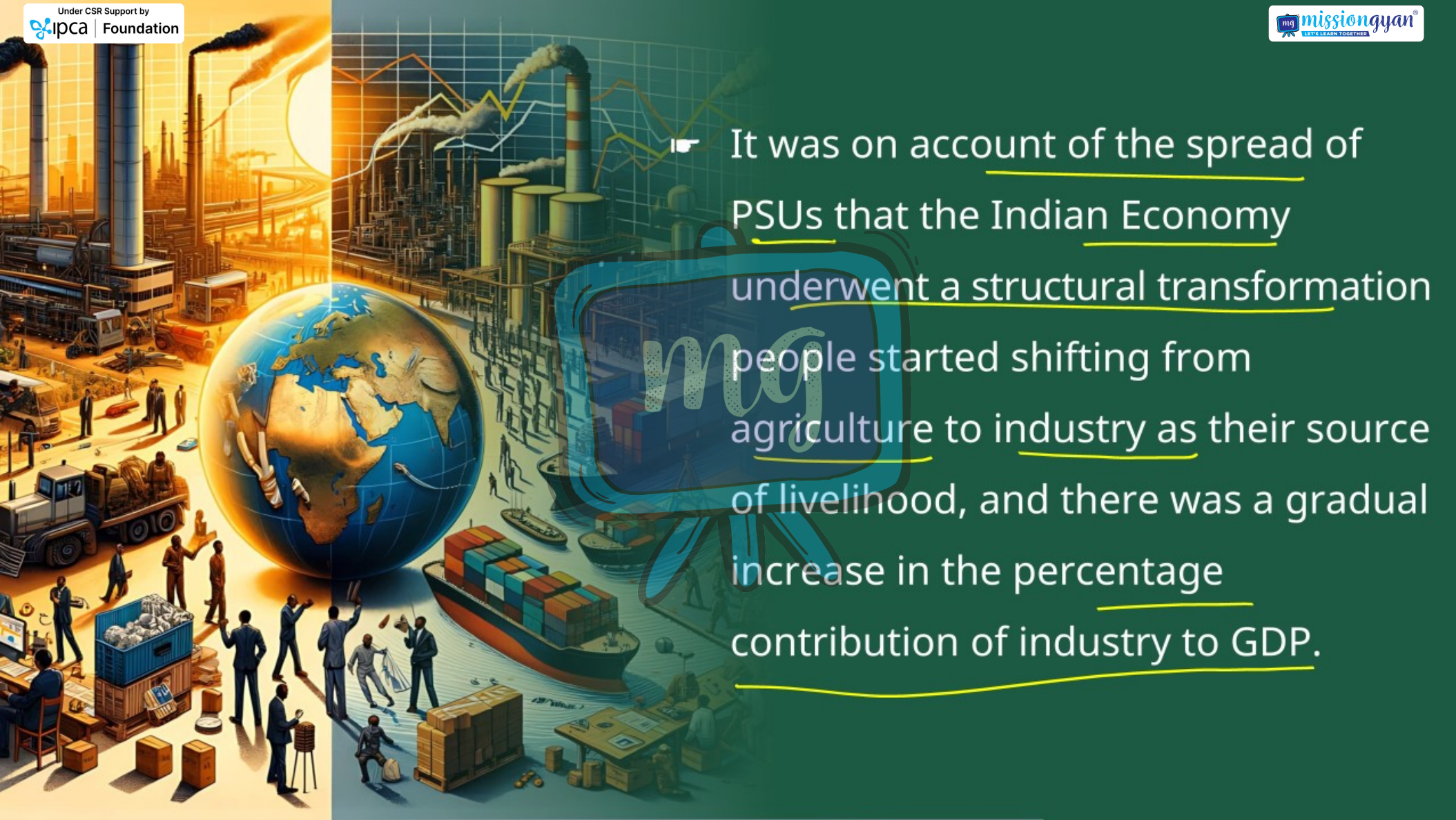
It is taken as a remedial measure to improve production and managerial efficiency, as well as to facilitate modernisation.

It is also used as a means to manage fiscal deficit by the government.

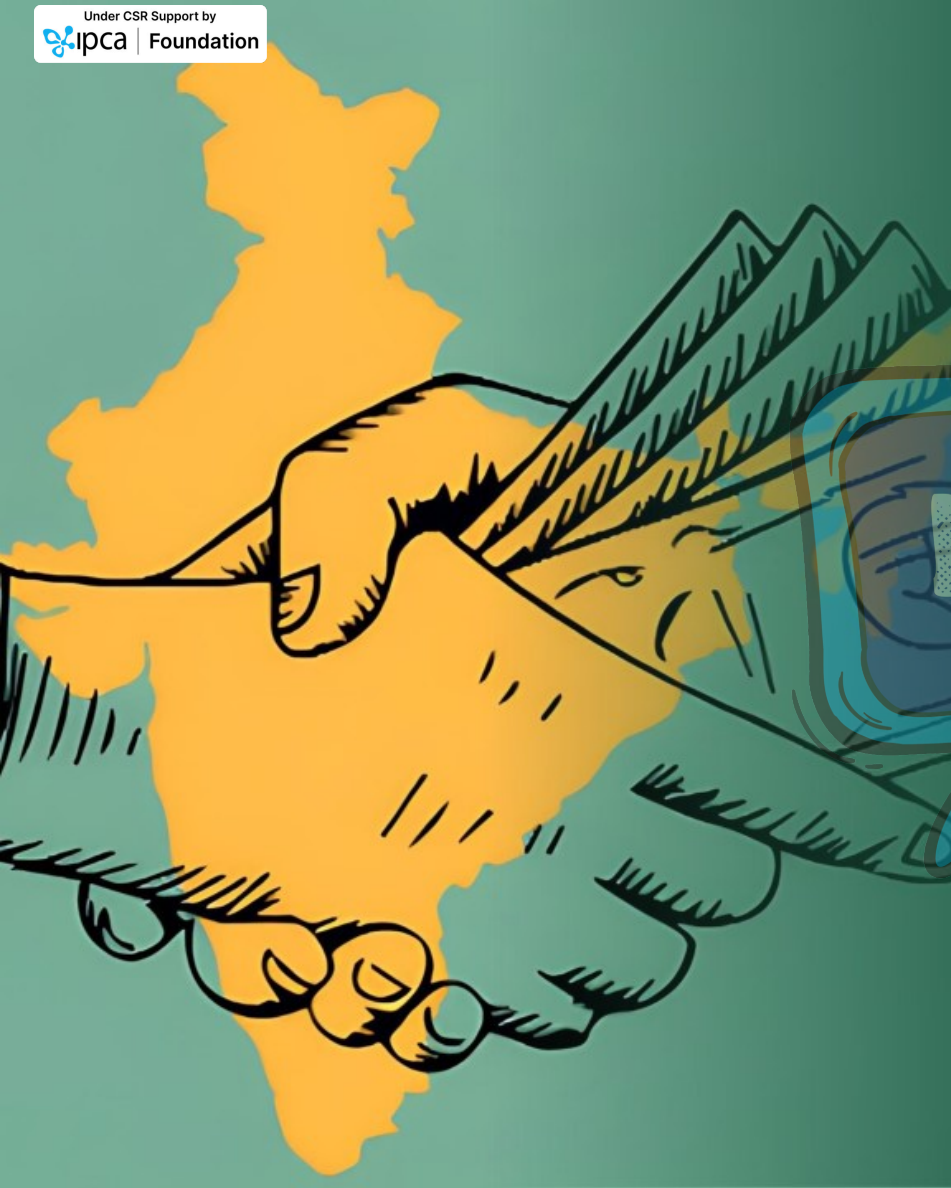
NEED OF PRIVATIZATION

- It is beyond doubt that it was through the spread of PSUs that India could diversify its industrial base between the period 1951–1991.






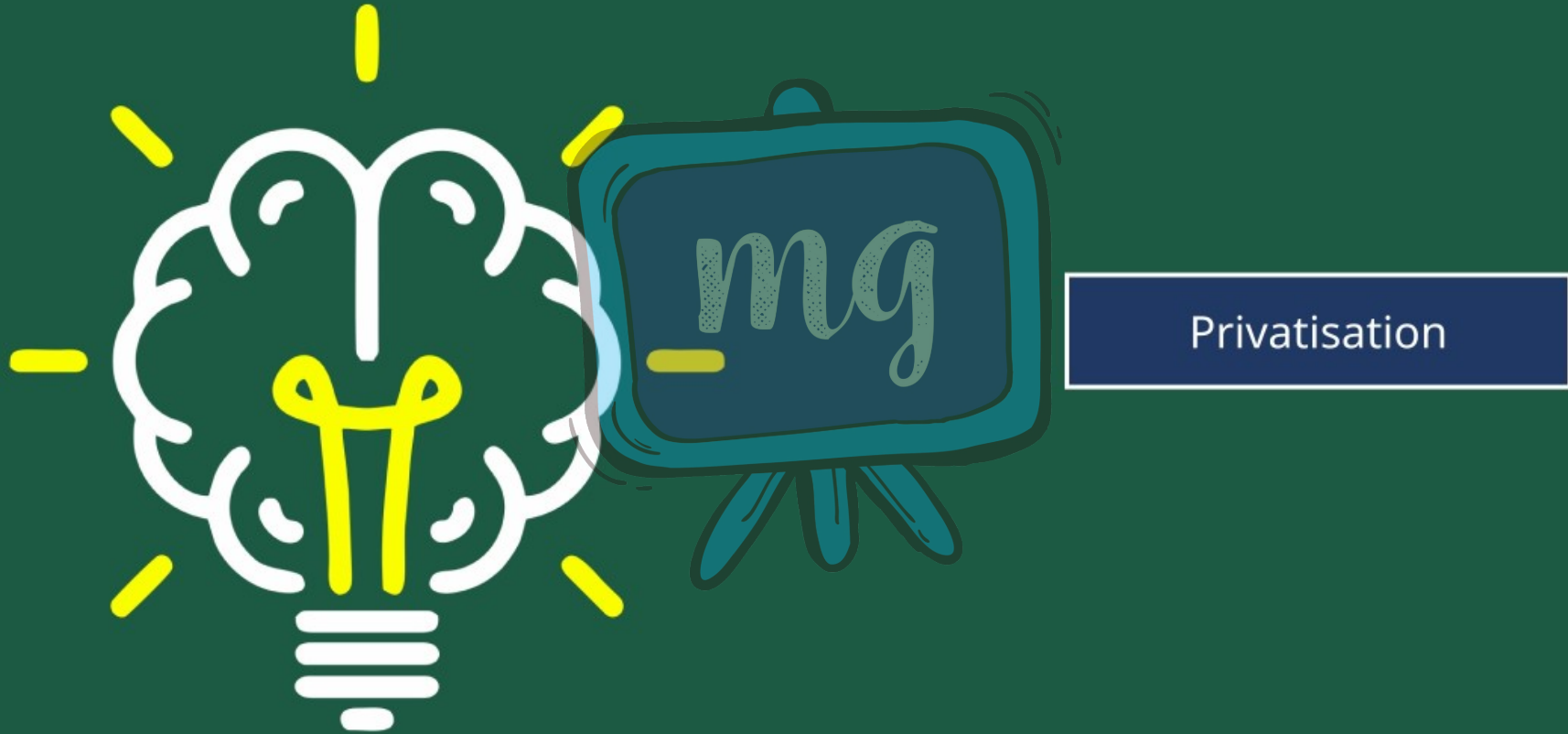
It was on account of the spread of PSUs that the Indian Economy underwent a structural transformation people started shifting from agriculture to industry as their source of livelihood, and there was a gradual increase in the percentage contribution of industry to GDP.



- ▮ Gradually, most public sector enterprises truned into a social deadweight (or a social liability). Mounting losses of PSUs became unsustainable.
- ▮ Leakage, pilferage, inefficiency, and corruption had become so rampant in PSUs that their privatisation was considered the only remedy.

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- Accordingly, in 1991, the government decided to phase out public enterprises by selling its equity to private entrepreneur.
 - Privatisation was to replace public ownership of a large number of enterprises.

LEARNING OUTCOME



ASSESSMENT

1

The involvement of the private sector in the ownership or operation of a state-owned enterprise is called -

- ☒ A Globalisation
- ☒ B Privatisation
- ☒ C Liberalisation
- ☒ D Licensing

ASSESSMENT

2

Disinvestment is an instrument of –

- ☒ A Promoting government interference
- ☒ B Promoting privatization
- ☒ C Increasing inflation
- ☒ D Increasing investment

ASSESSMENT

3

What is the need of Privatization?

- ☐ A Diversifying Indian industrialization
- ☐ B Increase GDP contribution
- ☐ C Diversifying private sector
- ☒ D All of the above

ASSESSMENT

4

Why was public sector socially liable?

- ☐ A Corruption
- ☐ B Leakages
- ☐ C Inefficient management
- ☒ D All of the above