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Privatization, State and Response of Marginalized Groups of India

Dr. Iranna Mulgund, Associate Professor,
Department of Sociology, Karnatak Arts college,
Dharwad-58001 (State :Karnataka)India

Abstract

There is complex relationship between privatization and changing fate of marginalized communities. In different countries and different parts of the globe LPG in general and privatization in particular has made different impacts. As far our knowledge is concerned liberalization, globalization and privatization throughout the humanity has benefitted the educated, skilled, men and almost all people living in the western countries. Even in these developed countries the poor, unskilled, women, migrants and racial minorities have remained outside the benefits of LPG. The basic and vital sectors namely education and health care have suffered because of privatization. Deprivation from education and essential 21st century skills can definitely promote the culture of poverty among the poor, while privatization of health care sector can affect the longevity and health status of the poor and even lower middle class people. This paper examines the impact of privatization on marginal communities of India comprising of SCs, STs, women, small farmers, poor etc and seeks to explode on myth propagated by western countries regarding the benefits of privatization.

Keywords

Privatization, Policy initiatives, State Intervention, Globalization, Liberalization, Health sector.

Introduction

The major thrust to privatization arrived in the era of neoliberalism in the 1980s, and soon a policy argument emerged that saw privatization a necessary step to strengthen the economy. It was perhaps a political tool to entrench capital into various economies and make their return to government regulation difficult. India went for privatization in the historic reforms budget of 1991, also known as 'New Economic Policy or LPG policy'. Post-independence India had adopted a very conservative economy that was practically shut to the outside world. But as time went by, Indian leaders and economists recognized the need to merge with the global economy. So in 1991, India went through some very major economic reforms.

Objectives

The objectives of the present paper are:

- to analyze the meaning of privatization and marginal communities ;
- to provide cursory outline of negative impact of privatization ;
- to explore the impact of privatization on marginal communities of India

Analysis and Discussion

Meaning of privatization

1. Datt and Sundaram: "In narrow sense, privatization implies the induction of private ownership in publicly owned enterprises"

2. Steve.H. Hanke refers to privatization as -"...the process whereby the public operations are transferred to the private sector".

4. D.R.Pendse is of the opinion that-"any process which reduces the involvement of the state or the public sector in the economic activities of a nation a privatization process",

5. Barbara Lee & John Nelie's : Privatization is the general purpose of involving the private sector in the ownership or operation of state owned enterprise.

6. Uma Kapila in Understanding the Problems of Indian Economy: .In the Indian content privatization has meant opening up certain sectors for private sector participation rather that outright privatization of state owned enterprises.

Economic Times (11 September, 2023) : The transfer of ownership, property or business from the government to the private sector is termed privatization

Negative Effects of Privatization

Marginalized groups of India opposed privatization on these grounds mentioned below.

Private firms focus their attention too much on profit Making. The sole aim of the private owners is to make a profit and they try to attain it at any cost be it compromising the quality of the product, playing with the customer's emotions or adopting other unfair means. So just to gain maximum profit, they compromise the quality and opt for unfair means. According to members of marginal groups the gulf between rich and poor increases because of privatization.

Private firms ignores welfare aspect: Majority of private companies whose main motive is profit-making, do not indulge in public interest or welfare services like free education to poor, free medical treatment, etc.

Political pressure: When private companies fail to deliver, the public has no powers to intervene and government does not always have time or expertise to force them to keep their promises.

Private firms ignore the weaker sections: Privatization often goes hand in hand with encouraging richer people to pay more and opt for best quality services. This leads to division, making it harder to provide excellent public services for weaker sections.

Privatization results in rise of prices of goods and services: In sectors, where there is less competition or monopoly of a private owner, the consumers need to spend a huge amount of money to buy goods and services.

Rise in Corruption – Private owners adopt various means to get their tasks accomplished. There are more and more cases of bribery, fraud, and others on a daily basis. They indulge in bribery, fraud and various other such ill practices that give rise to corruption.

Lack of Transparency – In a democratic government, the public can question the government for the service provided by the public sector and the government is bound to show the clear picture. However, the private sector organizations are not bound by any such law and thus there is a lack of transparency.

Ambiguity – Privatization has led to numerous choices in various sectors. As there are more and more options being added to the market every day, the same product is sold at different forms and prices

Rise of monopoly- A natural monopoly occurs when the most efficient number of firms in an industry is one. For example, tap water has very high fixed costs. Therefore there is no scope for having competition among several firms. Therefore, in this case, privatization would just create a private monopoly which might seek to set higher prices which exploit consumers. Therefore it is better to have a public monopoly rather than a private monopoly which can exploit the consumer.

Privatization creates private monopolies, such as water companies and rail companies. These need regulating to prevent abuse of monopoly power. Therefore, there is still a need for government regulation, similar to under state ownership.

Privatization of health care –Health Insurance becomes costly for people : There are many industries which perform an important public service, e.g., health care, education and public transport. In these industries, the profit motive shouldn't be the primary objective of firms and the industry. For example, in the case of health care, it is feared privatizing health care would mean a greater priority is given to profit rather than patient care. Also, in an industry like health care, arguably we don't need a profit motive to improve standards. When doctors treat patients, they are unlikely to try harder if they get a bonus.

Fragmentation of service: In the UK, rail privatization led to breaking up the rail network into infrastructure and train operating companies. This led to areas where it was unclear who had responsibility. For example, the Hatfield rail crash was blamed on no one taking responsibility for safety. Different rail companies have increased the complexity of rail tickets.

How Privatization has affected Marginal Groups of India?

In 1990s many countries have accepted the philosophy of LPG on many grounds. It was thought that privatization fosters efficiency and lessens burden on government. They said it fosters economic democracy and nurtures healthy competition and individual initiative. Some of the expectations have been materialized in India. Now customers are getting TV, Fridge, and Car at chapter prices. The living standards of people have improved because of electronic gadgets. There is tangible improvement in Foreign Direct Investment. They have created job opportunities in many sectors of economy.

Unfortunately the private firms have different recruitment policies. They appoint people on the basis of merit. Reservation policy is generally not followed by private firms. Hence, many marginal communities opposed privatization on this ground. Second private firms generally do not give job on permanent basis. They go for contract base workers. In order to increase profit margin they generally resort to automation. Even robots are used to bring down the cost of production. Hence, it has affected labour class in India.

Prior to privatization, the state used to protect the interest of workers. It has passed minimum Wage Act, Employment Benefit Act, Factories Act, Maternity benefit Act. It has banned the employment of children and women in Dangerous Industries. It used to follow all these guidelines in its PSUs. However, now state is not in a position of monitoring all these rules and regulations. Hence, privatization appears to have ignored the labour welfare components in industrial and business sectors.

Privatization of water supply and electricity supply, railway lines, airport management has had some adverse effects. Getting service is very costly if these are given to private operators. Hence, customers and consumers have opposed privatization. Privatization of educational institutions has affected fee structures. Hence, students too have opposed privatization.

Thus privatization has affected the minorities, SCs, STs, OBCs and women. It was opposed on the grounds of its "Anti-Reservation Tendency". Customers, consumers, students, labors are not marginal communities. But they too opposed on the grounds mentioned above.

Response of Marginalized and

Interest Groups to Privatization-Agitations, Strikes, Lock out

Finance Minister Nirmala Sitharaman, while presenting Budget 2021-22 earlier this year, had announced the privatization of public sector banks (PSBs) as part of disinvestment drive to garner Rs 1.75 lakh crores. Bank officers' union on Tuesday launched nationwide movement against proposed privatization of state-owned lenders. Around 15 lakh power sector employees will go on nationwide strike for two days from February 23 to protest against privatization announced by the Centre, the All India Power Engineers Federation (AIPEF) announced on Monday. (Mint 17 Jan 2022). All over India even Bank Employees opposed the privatization of banking sector.

It is very disturbing to note that after privatization the employers are not getting salary in time. With the disappearance of reservation in education and employment, the upper caste and caste Hindus at the helm of affairs in these two important spheres, Dalits sure would be pushed into a worse situation. Deprived of sources of assertion, Dalits would become submissive as they were in the past.

On the platform of the African Women Water, Sanitation and Hygiene Network (AWWASHNet), the Nigerian women too, rejected the proposed water privatization in Nigeria. The privatization the water system began in the 1990s under the authoritarian regime of Suharto, after World Bank suggested it as 'the solution'

to the country's drinking water crisis. As Indonesia prepares to host the International Monetary Fund (IMF) and World Bank (WB) annual meetings this year, Peoples Dispatch spoke to Dinda Nuur Anisaa Yura from Solidaritas Perempuan (Women's Solidarity for Human Rights) about the movement against water privatization.

Privatization always results in service cuts and then it is left to women to fill in the gaps. When health care is no longer available, women and girls have to care for the sick. When education becomes less available or more expensive—it's girls who are forced out of school. The final speaker, Crystal Simeoni from FEMNET gave us a glimpse of private health care in Lesotho, where poor contracts resulted in massive diversion of public funds into the pockets of private providers - a familiar story in the continent. Crystal shared the heartbreaking story of a man who tried to take his baby out of the hospital in a plastic bag because he couldn't afford to pay the \$560 fee.

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