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## PUBLIC OPINION ON PRIVATIZATION OF PUBLIC COMPANY WITH SPECIAL REFERENCE TO CHENNAI

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### ABSTRACT:

Privatization of certain government functions occurs in a number of ways, but typically the government transfers ownership of certain facilities or business processes to a private company. Privatization generally helps governments save money and increase efficiency. Proponents of privatization argue that private firms run businesses more economically and efficiently because they have a profit incentive to eliminate wasteful spending. As a result of this public-private transaction, the company's shares will be removed from the public exchange. The shares are no longer available to the public. While companies can be taken private for a variety of reasons, this often happens when the company is significantly undervalued in the public market. The main aim of this research is to know about the causes of the transition that takes a company from being publicly traded to becoming privately held in Chennai and to discuss all the impacts created by the privatization of public companies in Chennai. To discuss the benefits of the privatization of public companies to the government in Chennai and to examine the factors affecting the privatization of public companies in Chennai. The spreading awareness about the measure's development of privatization of public companies in Chennai. The method of research has followed empirical research with a convenient sampling method. The sample size covered by the researcher is 200. The results of this research are that companies may be privatized for a number of reasons, but it often occurs when a company is substantially undervalued in the public market which basically benefits the respective government in many ways.

**KEYWORDS:** Privatization, Public companies, incentives, Investment, Investors.

### INTRODUCTION:

Privatization means the transfer of ownership, management, and control of public sector enterprises to the private sector. Privatization can suggest a number of things, including moving something from the public sector to the private sector. It is also used as a metonym for deregulation when a massively regulated private business or industry declines. State

services and functions can also be privatized (nationalized). Under these conditions, the task of private legal entities is to implement national plans or implement state support, which was previously the vision of state-owned companies. Some cases include law enforcement, revenue collection, and prison administration. Privatization of public sector companies by selling shares of PSE's share

capital to the public is called disinvestment. The process is addressed when a public sector actor does not perform as expected due to a lack of discipline. When such companies are privatized, they are likely to become more disciplined, better managed, and more efficient, maximizing profits and productivity. It plays an important role in facilitating market participation by allocating appropriate resources to the countries concerned. Privatization in India has long been a political issue at the national level. Privatization of some sectors in the past raised objections from trade unions and political parties; However, in some cases it was imposed, while in others it was supported by the government. In India, PSUs (Public Sector Undertakings) have contributed to the economic and industrial growth of the country, although with severe inefficiencies. Many payment entities in India have reported losses due to factors such as overstaffing, overpaid employees, project delays, management delays, etc. Privatization is important for any economy because it allows private companies to have healthy competition that leads to a fair price of goods and services. Originally privatized, HCL operated as a wholly owned subsidiary of Air India (AI), an international airline in India. The board decided to privatize/sell the properties and assets of HCL when it made a total loss of 15 crores in the financial year 2000-2001. HCL was continuously in losses, more than 900 million, mainly due to mismanagement by the government and Air India. Originally privatized, HCL operated as a wholly owned subsidiary of Air India (AI), an international airline in India. The board decided to privatize/sell the properties and assets of HCL when it made a total loss of 15 crores in the financial year 2000-2001. HCL has continuously operated at a loss of over 900 million Euros, largely due to mismanagement by the government and Air India. In addition, the privatization of a certain sector leads to job creation as more and more business houses enter the sector. In addition, the involvement of the private sector also improves the quality of

goods and services. Given the confidentiality surrounding their operations, some large sectors are unlikely to be privatized. These industries include nuclear power, defense, cigarettes, railways, chemical fertilizers, hazardous chemicals, etc. Privatization in India is an important step towards the strong growth and good governance of the country. With the pandemic, the government has a greater responsibility to move the privatization process in the right direction and also produce exciting good results. The privatization process also improves the financial situation. Although public sector entities have contributed to the development of the country, they have many shortcomings. The privatization process has both good and bad sides. The government should approve full and partial privatization to increase efficiency. But at the same time social justice is equally important and must not be neglected in the implementation of reforms. Whether privatization of a particular industry is beneficial in the long run depends entirely on the industry. Let's compare, for example, the transport sector and the education sector. The revenue collected in the transport sector can be used for further improvement. However, there is a need to regulate transport costs as it may threaten public interest through excessive taxation. Moving into the education sector, the profit motive diminishes, so it would be an uphill battle for any private company to operate with no or very little profit. Privatizing a state subsidiary removes all political interference, increases efficiency and turns losses into profits. The managers of the government company work under political pressure and therefore cannot rationally think about profit. Under political pressure, SOEs often employ more people than required, which ultimately jeopardizes their profits. Privatization can lead to the breakup of one giant company into several other fairly small companies. Such fragmentation ultimately reduces efficiency and also reduces management accountability. Companies blame each other for potential damages and try to avoid responsibility.

Privatization in some sectors where competition is low can lead to a monopoly by a single private company. A complete monopoly in a certain field, the company has a free hand to compromise its quality and set higher prices etc to collect huge profits. On the other hand, a state institution would have prioritized the public interest over profit. Even if this happens, it is more likely that the public interest will be compromised in one way or another. In general, the economy consists of two main sectors: the public sector and the private sector. Government agencies usually manage public sector functions and industries. In the United States, the public sector includes the United States Postal Service, public schools and universities, police and fire departments, the National Park Service, and the National Security and Defense Service. Businesses that are not controlled by the government comprise the private sector. Private companies include most companies in consumer goods, consumer goods, finance, information technology, manufacturing, real estate, materials, and health care. The results of this research is that companies may be privatized for a number of reasons, but it often occurs when a company is substantially undervalued in the public market which basically benefits the respective government in many ways. The results of this research is that companies may be privatized for a number of reasons, but it often occurs when a company is substantially undervalued in the public market which basically benefits the respective government in many ways.

#### OBJECTIVES:

- To know about the causes for the transition that takes a company from being publicly traded to becoming privately held in Chennai.
- To discuss all the impacts created by the privatization of public companies in Chennai.
- To discuss the benefits of privatization of public companies to the government in Chennai.

- To examine the factors affecting the privatization of public companies in Chennai.
- To spread awareness about the measure's development of privatization of public companies in Chennai.

#### REVIEW OF LITERATURE:

State regulation characterized the management of both product markets and therefore the industrial relations system (IRS) within post-Independent India. The logic of commercial peace determined the institutional framework of the IRS within the era of regulation. (Shyam Sundar). **K.R. Shyam Sundar (2019)** (Comyn and Strietska-Ilina). The Indian skills system has undergone a period of significant reform in recent years with a range of initiatives aimed at improving the supply of skills and increasing private sector involvement in the overall skill system. **Paul Comyn (2019)** (Shyam Sundar; Comyn and Strietska-Ilina). The idea that growth of the modern sector alone can improve employment conditions in employees-surplus developing economies has been and remains extremely influential. (Ghose). **Ajit K. Ghose (2019)** ... The paper examines the social protection to employees particularly with regard to growth and structural change employed on the one hand and industrial restructuring and structural adjustment on the opposite. (Papola and Bharadwaj). **T. S. Papola (1970)** There is an intense debate on employee market reforms in India today. It's argued that except for restrictive employee laws that make inflexibility within the employees' market, the Indian economy would have experienced a better growth of employment. (Sharma). **Alakh N. Sharma (2006)**. Wage differentials are present among various groups and sectors of the economy. The first motivation of this paper is to research the structure of wage Privatization and employment in India with the 61st round (2004-05) household survey on employment and unemployment conducted by the National Sample Survey Office. (A. C. Das). **Pancham Das (2017)**. Regional Privatization has emerged as a

key issue in recent discussions of development policy. States within India differ greatly in terms of economic process and employment potential. (Ramaswamy and National University of Singapore. Institute of South Asian Studies). This paper identifies the channels and processes which have increased the vulnerability of employment within the organized manufacturing sector. (Ladher). **Panchanan Das (2019)**. This paper examines public companies' transition in wages in India using the observed effect of productivity differences between women and men as viewed within the human capital theory. For the aim, the study utilizes micro-level information from the 50th and 66th rounds of the National Sample Survey (NSS). (P. Das). **Panchanan Das (2019)**. This study analyzes the causal effect of a disability on the next employee's market status by distinguishing between public and personal employment in France. This study provides two original contributions. (Barnay et al.). **Thomas Barnay, Emmanuel Duguet (2015)**. On examining the dynamics of the processes of change within the status of employees and employment within the rapidly globalizing state of Gujarat in India, this study shows that the rapid climb within the state has not been shared by employees. (Antonopoulos and Hirway) **Indira Hirway (2009)** state regulation characterized the management of both the product market and the industrial relations system (IRS) in post-Independent India. The logic of industrial peace determined the institutional framework of the IRS in the era of regulation. (Shyam Sundar). **Sundar (2019)**. An attempt has been made to spotlight some important issues so as to look at the inclusiveness of growth during the age of neoliberalism in India. The article is an effort to look at the changing role of the State within the capitalistic economic structure: how the Indian State, which is an inseparable part of international capitalism, has shifted its path from welfare or Interventionist State to laissez-faire neoliberal State. (N. and Singha). **Balwinder Singh Tiwana and Paramjit Singh**

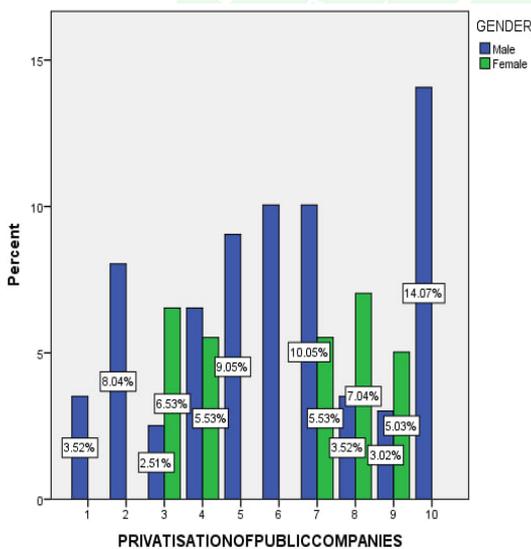
**(2021)**. The 61st round (2004-05) of the National Sample Survey showed that there was a turnaround in employment growth in rural India after a phase of jobless growth during the 1990s. Paradoxically, this employment growth occurred during a period of widespread distress within the agricultural sector. (Abraham and Abraham). **Vinoj Abraham (2009)**. Globalization-led economic reforms of 1991 have added new dimensions to the strategy of economic planning, and it's been presumed that gains of growth will equally reach the labor. But globalization has negatively affected the Indian labor market. The large-scale technological developments have reduced the demand for employees. ("Dhillon, Jasbir Singh, (born 23 Feb. 1969), QC 2013"). **Jasbir Singh (2017)**. The idea that growth of the fashionable sector alone can improve employment conditions in employees-surplus developing economies has been and remains extremely influential. (Saith) **Ajit (2006)**. The paper examines the social protection to employees particularly with regard to growth and structural change employed on the one hand and industrial restructuring and structural adjustment on the opposite. (Papola). **T. S. Papola (1994)**. Globalization-led economic reforms of 1991 have added new dimensions to the strategy of economic planning, and it's been presumed that gains of growth will equally reach the employees. But globalization has negatively affected the Indian employees market. (Sandhu) **Jasbir Singh (2017)**. On examining the dynamics of the processes of change within the status of employees and employment within the rapidly globalizing state of Gujarat in India, this study shows that the rapid climb within the state has not been shared by employees. (Shah). **Neha Shah (2011)**. The working-age population of India is growing in size, the: employees force is shifting faraway from agriculture and, with education, workers also are seeking better-quality non-agricultural jobs. (Thomas and Jayan) **Jayan Jose Thomas (2014)**.

**METHODOLOGY:**

The research method followed here is empirical research. A total of 200 samples have been taken out of which is taken through convenient sampling. The sample frame was taken by the researcher through online methods and also nearby persons. The Independent variable taken here is age, gender, education qualification, occupation. The dependent variables are privatization of public companies, factors affecting the development, Related legislation, benefits received by government. The statistical data used by the researcher is a graphical representation.

**SPSS ANALYSIS:**

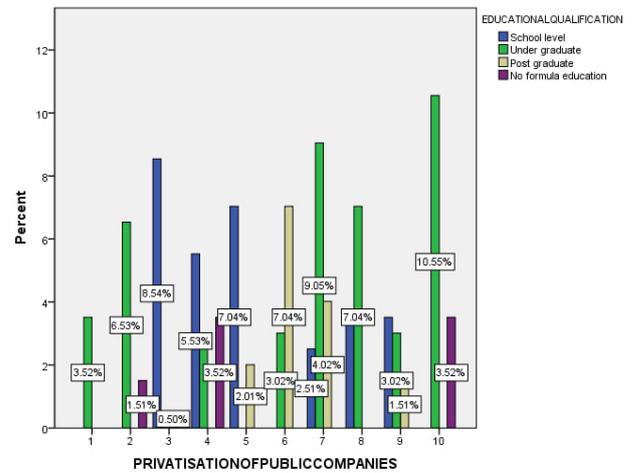
**FIG 1**



**LEGEND:**

This graph shows the comparison between gender and Government Initiatives toward the privatization of public companies.

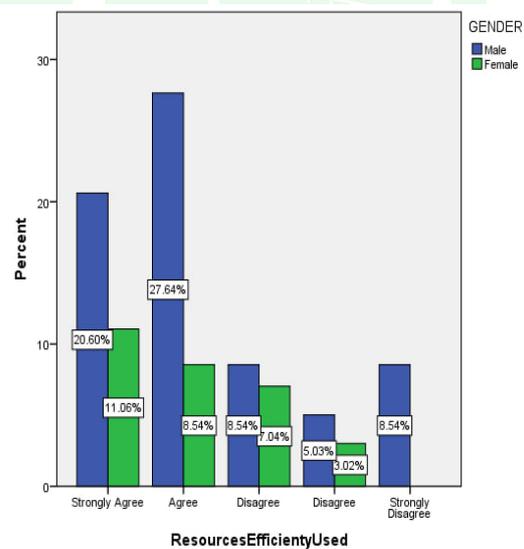
**FIG 2**



**LEGEND:**

This graph shows the comparison between gender and Government Initiatives toward the privatization of public companies.

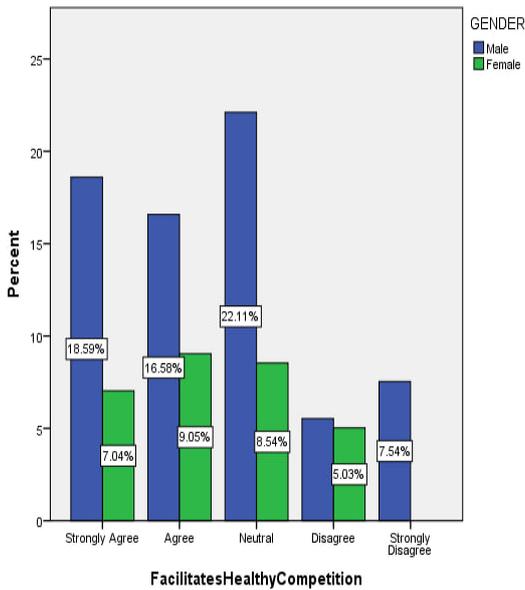
**FIG 3**



**LEGEND**

This graph shows the comparison between gender and agreeability on Resources that are efficiently used.

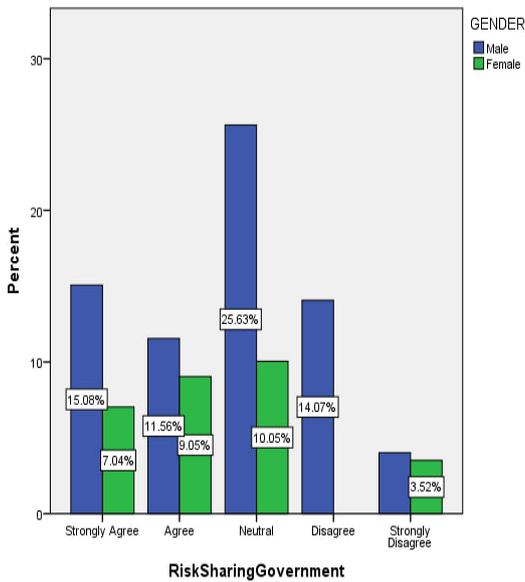
FIG 4



LEGEND

This graph shows the comparison between gender and agreeability to facilitate healthy competition.

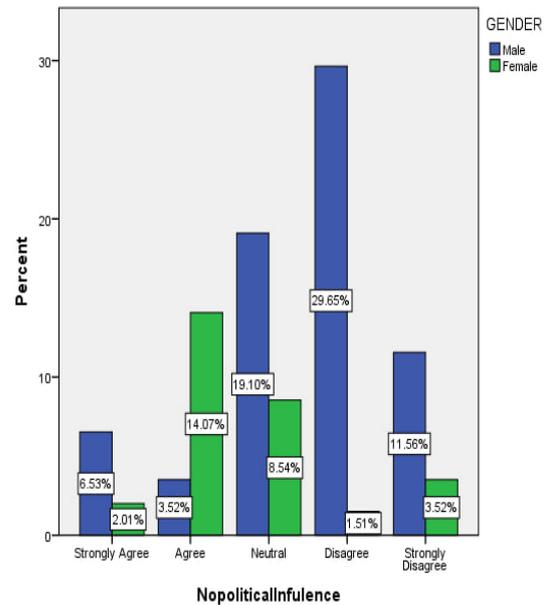
FIG 5



LEGEND

This graph shows the comparison between gender and agreeability on Risk sharing with the government.

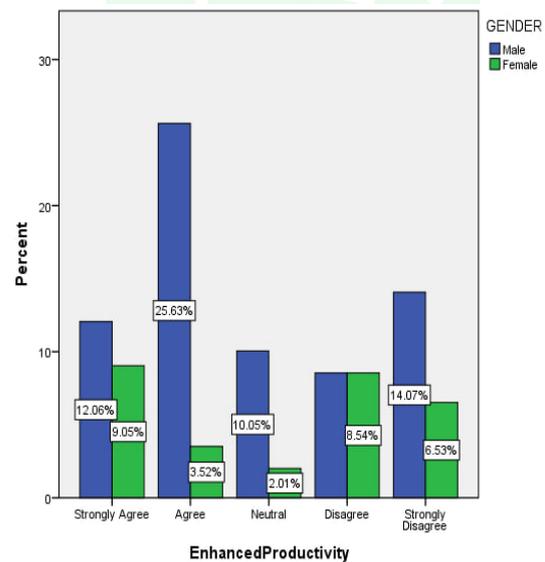
FIG 6



LEGEND

This graph shows the comparison between gender and agreeability on No political influences

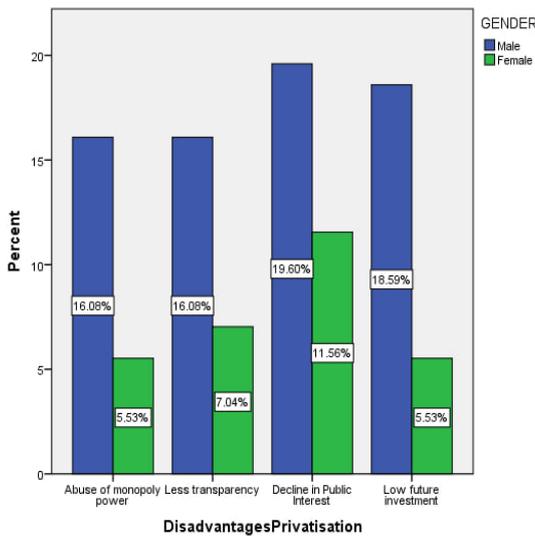
FIG 7



LEGEND

This graph shows the comparison between gender and agreeability on Enhanced productivity

FIG 8



**LEGEND**

This graph shows the comparison between gender and agreeability on the major disadvantage of the privatization of public companies.

**RESULT:**

From Fig 1, we know that the highest number of respondents Irrespective of their gender have opted for 10 as their rating towards the Government Initiatives towards the privatization of Public Companies. From Fig 2, we know that the highest number of Undergraduate respondents have opted for 10 as their rating towards the Government Initiatives towards the privatization of Public Companies. From Fig 3, we know that the highest number of male respondents have agreed on Resources that are effectively used in the privatized environment. From Fig 4, we know that the highest number of male respondents have agreed on Resources that are effectively used in the privatized environment. From Fig 5, we know that the highest number of male respondents have agreed on Resources that are effectively used in the privatized environment. From Fig 6, we know that the highest number of male respondents have agreed that a private environment will create No political influence. From Fig 7, we know that the highest number of male respondents have agreed that the privatization of public entities will increase

productivity. From Fig 8, we know that the highest number of male respondents have opted for decline in public interest and Low future Investment as the disadvantages of Privatization.

**DISCUSSION:**

From Fig 1, we can Observe that the highest number of respondents Irrespective of their gender have opted for 10 as their rating towards the Government Initiatives towards the privatization of Public Companies. Totally 14 % of the respondents have opted for 10 as their rating and 30 % of people irrespective of their gender have rated more than 7 as their rating towards the government Initiatives towards the Privatization of public companies. From Fig 2, we can Observe that the highest number of Undergraduate respondents have opted for 10 as their rating towards the Government Initiatives towards the privatization of Public Companies. And a total of 10.5% of undergraduate respondents have opted for 10 as their rating towards the question. And it is so clear that undergraduates and Postgraduates (15%) have rated more than 6 as their rating of Government Initiatives toward the privatization of public companies. From Fig 3, we can observe that 27.64% of male respondents have opted to agree as their agreeability towards the Resources that are effectively used in the privatized environment than the public sector and Women (11%) have strongly agreed on Resources that are effectively used in the privatized environment than the Public Sector. From Fig 4, we can observe that 22.11% of male respondents have opted to be neutral in their position towards the privatized environment, a healthier environment than the public sector but Women on the other hand (10%) have strongly agreed the privatized environment is a healthier environment than the public sector. From Fig 5, we can observe that 27.64% of male respondents have opted to agree as their agreeability towards the Resources that are effectively used in the privatized environment than the public sector and Women (11%) have strongly agreed on Resources that are

effectively used in the privatized environment than the Public Sector. From **Fig 6**, we can observe that 29.65% of male respondents have opted to Disagree that the privatized environment doesn't create room for political influence than the public sector and Women (15%) have agreed that the privatized environment doesn't create room for political influence than the public sector. From **Fig 7**, we can observe that 25.63% of male respondents have agreed that the privatization of public entities will increase productivity more than the government taking over the public entity. and Women (10%) have strongly agreed that the privatization of public entities will increase productivity than the government taking over the public entity From **Fig 8**, we can observe that 20% of male respondents have opted that the public trust in the public entity would decline if it would be privatized and also 19% of males have opted for "low Future investment" as a major Disadvantage of the Privatization of public companies. and Women (12%) strongly agreed that the privatization of public entities will decline public investment in public companies if they are privatized.

#### LIMITATION:

The major limitation of the research is the sample frames. The respondents were connected through online sources including sending questionnaires through email. The restrictive area of the total sample size is 208. The researcher limits his study to the privatization of public companies and the benefits received by the respective government on the transition. It doesn't focus entirely on other aspects of privatization in general.

#### SUGGESTION:

In a public-private transaction, shareholders accept an offer from investors for their shares. Investors offer a premium over the current market price to encourage shareholders to divest their investment in the company. If the company's shares were privately held, they can no longer be traded publicly because the company has left the public exchange where its

shares were previously traded. Going private is a simpler process than going public, as there are fewer steps and regulatory hurdles. Usually, a company that is considered undervalued in the market decides to go public, although there may be other reasons for such a move. In addition, privatization means that the company is no longer accountable to public shareholders and is not as strictly regulated by the government. Taking a public company private is relatively easy and usually involves fewer regulatory hurdles than going public from a private company.

#### CONCLUSION:

In conclusion, the research sheds light on the privatization of public entities in Chennai and its implications. The results show that privatization has been a double-edged sword in the Indian context. While this led to efficiencies, improved service quality, and increased investment, concerns were raised about job security, social inequality, and potential monopolistic practices. The government must find a balance between promoting growth-enhancing privatization and protecting the public interest. Effective regulatory frameworks, transparent processes, and adequate safeguards should be put in place to mitigate the negative consequences of privatization. Additional research is warranted to monitor long-term impacts and guide policy decisions in this complex and evolving landscape.

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