

Economical. The privatization process keeps the economics in the operations, but the operations of public enterprises are expensive.

Individual Motivation. Profit motivation is crucial to the private sector's success. Privatization pushes managers to make the enterprise's operations more efficient so that they may earn more and more profits.

Disadvantages of Privatization

Following are the limitations of privatization:

Problem of Price. The government often seeks to sell the least profitable firms, those that the private sector is unwilling to purchase at a price acceptable to the government.

Opposition From Employees. Disinvestment tends to elicit political opposition from employees who may lose their jobs, politicians who fear short-term unemployment as a result of cost-cutting by private owners, bureaucrats who stand to lose patronage, and members of the public who are concerned that national assets are being threatened by foreigners, the wealthy, or a specific ethnic group.

Problem of Finance. In developing nations, the lack of an established capital market makes it difficult for governments to float shares and for private purchasers to fund significant purchases.

Improper Working. The fundamental drawback of the private sector is that it has fallen well short of what it is capable of or has accomplished in other nations. The private sector is uninterested in cost-cutting and high-quality production.

Again, many firms engage in unfair methods, which frequently culminate in the development of black money and corruption. There is a little blooming of true entrepreneurship capable of innovating and daring into new goods and processes.

Interdependence on Government. The government has imposed excessive regulation and supervision on the private sector. This has kept competition from becoming a widespread economic phenomenon.

The private sector has also grown overly reliant on the government to satisfy its import requirements, output sales, financing, and so on. This has cast doubt on the private sector's ability to stand on its own.

High-Cost Economy. Another issue with the private sector is that its costs are generally high, and product prices are too high. Many are insufficient, except for a tiny number of enterprises that are efficient and have a high profitability ratio.

The high cost of manufacturing is due, in part, to bad technology and, in part, to poor management. The high costs of raw materials and components, as well as the greater rate of indirect taxes, are two more cost-increasing variables.