



# Nature of Business Activity

A2 Business

- Local Business
- National Business

- International Business
- Multinational Business
  
- Public Corporation: is any government owned business like PIA and Pakistan Railways

## Advantages and Disadvantages of Multinational Businesses Privatization

- This is when a state owned business is sold to private companies / individuals.

- Privatization can take a lot of different forms like:
  1. Complete sale of government owned business
  2. Convert it into public limited companies
  3. Outsourcing some of business operations to private businesses
  4. Deregulation – when government removes extra / unnecessary restriction to attract more firms in that industry. When airline industry in Pakistan got deregulated more private airlines started setting up Airblue, Shaheen etc.

## Advantages of Privatization

- More ***efficient use of resources*** because since private businesses are

profit maximizing entities they will make sure they are minimizing cost.

- Generates ***revenue for the government*** which can be used for different government projects like financing schools or hospitals.
- More ***chances of privatized business to be creative and innovative*** to stay competitive.
- With more private firms setting up in the industry there ***will be more competition and hence firms will improve their products and charge lower prices benefiting their consumers.***

## Disadvantages of Privatization

- Private businesses will not operate any loss making activity /

operation. Except for PIA no other local or international airline will have subsidized air fare for Hajj / Umrah travel.

- When a business is privatized then it is ***expected to undergo significant redundancies*** meaning laying off people which increases unemployment in the country.
- For some strategic industries that are really important for consumers like public transport, railway services and landline phones government might want to maintain ownership to provide these services at reasonable prices to their consumers.

## Advantages to host country from Multinationals

- Contribute to *local employment and GDP*
- More competition for local business which forces local businesses to improve the quality of their products and reduce product prices.
- Contribute to government taxation which can be huge amount given the large scale of these businesses. This revenue generated from multinational companies can be used to finance government projects like education and health care etc.

## Disadvantages to host country from Multinationals

- Previously some multinational corporations are accused of unfair

labor treatment including child labor.

- Often times these multinational companies might withdraw the profits and take it back to home countries.
- Sometimes these companies are accused of exploiting natural resources and in extreme cases it can also result in depletion of these resources like coal, minerals, oil and gas etc.