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## Disinvestment Policy in Public Sector

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Disinvestment extends from dilution of the stake of government to a level where there is no change in the control to dilution that results in transfer of management. In particular enterprise there is dilution of government ownership beyond 51 percent this can result effectively in transfer of ownership.

There are two major reasons for the disinvestment

1. To provide fiscal support
2. To improve efficiency of enterprise.

In Broad sense disinvestment can be made by the following two sense.

Offering shares of public sector enterprise (PSE) at fixed price through general prospectus.

Sale of equity through auction of shares amongst the predetermined clientele whose number can be as large as necessary.

The level of disinvestment is derived from target level of governmental ownership in an enterprise over medium term. It would include 26% in special resolution over general body meeting 51% to have effective control.

100% to have full ownership.

Approach paper to the Ninth Plan states that- 'Disinvestments will be considered up to 51% & beyond in case of PUS's operating in noncore and non strategic sectors'

Based on PSE's commission's recommendation for disinvestment includes-

- Extent of restricting required & potential for improving share values.
- Permissible extent of disinvestment with reference to classification of industry as core & noncore.
- Size of company & phasing of disinvestment.
- Equity fund raising programme of concerned PSU.
- Categorising industry as high, medium & low potential.
- Alternative modalities of disinvestment.

Disinvestment as a strategy should aim at wide dispersal of government shareholding in domestic market and broad base ownership in process. Commission's long term strategy revolves around four long term objectives-

- Strengthen PSU's where appropriate in order to facilitate disinvestment.
- Protect employee interest.
- Broadbase ownership.
- Augment Receipts for Government.

Results arising out from these objectives included-

Strengthen PSU's.

- To promote greater competitiveness & profitability.
- Reduce future dependence on budget.
- Financially restructure & revive loss making PSU's.

Protect Employee interest.

- Sustain long term employment by financial turn.
- Provide compensation through VRS scheme to surplus force.
- Provide for employee participation.

Broad Based ownership: Enhance retail reach of PSU share to small investor & offer at sustainable price discount.

Augment Reciepts for government.

- By disinvestment in profitable PSU's.
- Eliminate need for budgetary support for loss making PSU's.

The performance of public enterprises can be Judged on a large number of measures beet the major being the financial assistance. Which generate resources for development by earning adequate returns. In the fiscal 1995, out of total 241 public sector undertakings in central sector, 130 made net profits and this net profit accounted for ₹ 12,120 crores. It is interesting to note that 10 units contributed to  $\frac{2}{3}$  rd of the total profits. Out of these ten, six were in oil sector. So it is clear that the picture will look less impressive if oil sector is exluded from it. In fact, contributions of profit making public sector enterprises to finances of control government in form of dividends amounted for ₹ 1,440 crores.

As a result of the above analysis government adopted the disinvestment policy in public sector to incur such heavy fiscal losses & burden on government. Adapting such a strategy sold many of the public sector undertakings to private ownership under the commission of Disinvestment with Disinvestment minister as Arun Shourie and Disinvestment Secretary as pradeep Baijal. They have set out to meet the ambitious target of netting the gol ₹ 80,000 crore in the next six years by privatizing PSE's.

Some of the major disinvestments in PSE's include-

1. On recommendation on CCD (Cabinet Committee on Disinvestment) the government. Decided to sell 51% equity of BALCO of worth ₹ 551.50 crores to SIL, a company in private sector.
2. She government PSE-modern group has been sold to the Hindustan Lever Ltd Gp.

3. CCD has also recommended disinvestment in USNL & CMC. The present government share in equity of VSNL and CMC are about 52.97% and 83% respectively which will be cut down to 26% in each PSU's after disinvestment.
4. Hindustan Tele printers Ltd. Has been sold to the HFCL (Himachal Futuristic Communication Ltd) .
5. CMC is being sold to Tata Consultancy Services under private sector.
6. Hindustan Zinc gave the tender but it wasn't sold as the bid was below the reserve price.
7. Hotel corporation of India has sold its two hotels out of the five hotels.
8. IBP is awaiting policy on APM dismantling.
9. IPCL is giving ho fresh round of its disinvestment in two tranches.
10. Maruti Udyog has still to appoint its valuers for sale.
11. VSNL is awaiting its policy on ILD telephony.
12. NEPA is awaiting state government action on denotificationof land.
13. Josseph & co. Has its shareholders being worked on:
14. Instrumentation control valves has to settle its disputer regarding land with the Kerala Government.
15. Bharat Heavy Flats & Vessels has to settle its land disputer with Andhre Pradesh government.

## Conclusions

Losses of loss making PSU's have increased in 90's due to withdrawal of the budgetary supports as well as increased competition. Most of these losses are cash loses & occur in sector which have become fully competitive & where PSU's have no special role.

Losses in loss making PSU's accounted for 60% of total direct budgetary support & will in all probability keep increasing each year. This will be a recurring draft on the budget.

In order to given thrust to the process of disinvestment in PSU's new Deptt of Disinvestment has been set up, which recently keeping accord of the 30 subsidiary units where government decision for disinvestment or for locating of joint venture partner has been taken.

Instead of all this the target which has been set for disinvestment is still for not been achieved.

The major element of government policy towards PSU's are-

- Being down government equity in all non strategic PSU's to 26% or lower.
- Restructure & revive potentially viable PSU's.
- Close down PSU's which cannot be revived.
- Fully protect the interest of workers.
- Advantages of this disinvestment Strategy for government are as follows.

- It will tackle the larger problem of drain on budget from losses in PSU's.
- Saving in budgetary provisions towards loss making PSU's can be released for investment in infrastructure sector, education & health sectors.
- Dispersal of ownership will exert pressure on PSU's to improve performance earn profits & declare dividends.