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Amruta Dinkar Savalsure
34. Essential Commodities Act (ECA) 1955 and its Role in Disincentivising Investment in Farming Sector 137
Pathan Mustafa Mubarak
35. Agriculture and Water Management in British Period 143
Dr. Devidas Tumkunte
36. "E-Commerce -An Overview" 147
Prof.Amol Yamaji Jadhav
37. Black Money In India: Current Status And Impact On Economy 150
Dr.Deepak vasantrao Mane
38. 'Impact of Global recession on Indian Economy' 153
Dr. Dattatray Nivruttirao Ghodake
39. Economic Development through Make in India
160
**Dr. Sambhaji Jadhav**
40. The Exim Policies 163
Kawale Suvarnmala Gopal
41. Make In India: An Analytical Review 167
Dr. Dilip Chavan
42. A Critical Evaluation of GST on Indian Eonomy 175
Mr. Satyanarayan R. Rathi
43. Impact of Industrial Revolution 4.0 on Indian Economy 178
Dr. Prakash Ratanlal Rodiya
44. Critical Evaluation Of Impact Of Demonetization And Gst On Indian Economy 183
Dr.Ashish Gattani, Mohan Shinde
45. A Study Of Issues And Challenges Of Digital Paymentn System In India 187
Prof. Vijay Dighe, Prof. Sagar Gholap
46. Make in India : Impact on Indian Economy 191
Dadge Shilpa Ambadas
47. An Evaluation Performance of Pradhan Mantri Fasal Bima Yojana 194
Mr. Balaji Arjun Kamble , Dr. R.V. Tehra
48. A study of Indian Banking merger & The Relationship between GDP Growth 197
Kale Sampada Suresh
49. Women Status in Tribal Society 200
**Dr. Mandle S.U.**
50. Impact of Make In India and Made In India 202
**Prof : Mane L. R.**

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# Disinvestment of Public Sector Enterprises

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**Abstract:**

This paper gives the information about the disinvestment of Central public sector enterprises. Along with that, It includes 'Reasons behind Disinvestment', 'Various Routes of Disinvestment', 'Recent Government Policy towards Disinvestment', 'Performance of Public Sector Undertaking' etc.

**Key words :**

Disinvestment, strategic sale, Public Sector.

**Introduction of Disinvestment :**

Disinvestment can also be defined as the action of an organization (or government) selling or liquidating as asset or subsidy. It is also referred to as 'divestment' or 'divestiture'. In short, Disinvestment means Sale of the Government owned enterprise to another individual partially or fully.

Disinvestment is the action of an organization or government selling or liquidating an asset or subsidiary. Absent the sale of an asset, disinvestment also refers to capital expenditure reductions, which can facilitate the re-allocation of resources to more productive areas within an organization or government-funded project. Disinvestment can be carried out for a variety of reasons, some of which are outlined below. Whether a disinvestment action results in divestiture or the reduction of funding the primary objective, is to maximize the return on investment on expenditure relate to capital goods labor and infrastructure.

**Types of Disinvestment / Various routes for Disinvestment :**

In order to achieve the various objectives and goals of disinvestment many methods have been formulated and implemented. These include.

**a) Public Offer :**

Offering shares of public sector enterprises at a fixed price through a genera prospectus. The offer is made to the general public through the medium of recognized market intermediaries. Initially equity was offered to retail investors through domestic public issues. This was followed by issuance of the Global Depository Receipts (GDRs) to tap the overseas market.

**b) Sale of Equity :**

Sale of equity through auction of share amongst pre-determined clientele, whose number can be large. The reserve price for the PSE's equity can be determined with the assistance of merchant bankers.

**c) Offer for sale:**

Offer for sale, determining the fixed price for sale of a public enterprise, inviting open bidders and accepting highest bidder's quotation for sale.

**d) Cross Holding :**

In the case of cross holding, the government would simply sell part of its shares of one PSU to one or more PSUs.

**e) Golden Share :**

In this model the government retains a 26 percent share in the PSU. This 26 percent share will continue to give the Government the status of majority shareholder.

**f) Warehousing :**

. Under this model, the government owned financial institutions were expected to buy the government's share in select PSUs and holding them until third buyer emerged.

**g) Strategic Sale :**

Of late, Government is pursuing the strategic sale method. Under this method, the government sells a major portion (51 percent and above) of its stake to a strategic buyer and also gives over the management control. Disinvestment price will be market based and not prefixed and PSUs Shares will be under the department of Disinvestment.

**Disinvestment of Public Sector Undertakings:**

| Year | Target (Rs. crore) | Proceeds (Rs. crore) |
|---|---|---|
| 1991-92 | 2,500 | 3038 |
| 1992-93 | 2,500 | 1913 |
| 1993-94 | 3,500 | - |
| 1994-95 | 4,000 | 4843 |
| 1995-96 | 7,000 | 168 |
| 1996-97 | 5,000 | 380 |
| 1997-98 | 4,800 | 910 |
| 1998-99 | 5,000 | 5371 |
| 1999-2000 | 10,000 | 1871 |
| 2000-02 | 12,000 | 5632 |
| 2002-03 | 12,000 | 3348 |
| 2003-04 | 14,500 | 15547 |
| 2004-05 | 4,000 | 2765 |
| 2005-06 | No Target | 1568 |
| 2006-07 | No Target | Nil |
| 2007-08 | No Target | 38795 |
| 2008-09 | No Target | 546 |
| 2009-10 | No Target | 1120 |
| 2010-11 | No Target | 24557 |
| 2011-12 | 40,000 | 13854 |
| 2012-13 | 30,000 | 23956 |
| 2013-14 | 40,000 | 15819 |
| 2014-15 | 43,425 | 24277 |
| 2015-16 | 69,500 | 69500 |
| 2016-17 | 56,500 | 34938 |
| 2017-18 | 72,500 | 57273.05 |
| 2018-19 | 85,000 | 84972 |
| 2019-20 | Rs. 1,05,000 | - |

**Explanation :**

Above, mentioned data represent that, even though government wanted to sale, public sector companies to the private individual. There is no any individual found to purchase that loss making public sector unit. And if any PSU sold to the private individual, government earned less money as they targeted. Government expected that if they want to make, growth, Then they have to sale public sector Unit. Another point is that, to reduce budget deficit, government started for disinvestment and want to earn more funds from it but actually got less proceeds from it.

**Performance of Public sector Undertaking :**

**Top 10 Loss-making govt. companies**

| Company | Net Loss (Rs. Cr.) | % Share |
|---|---|---|
| BSNL | 7993 | 25.57 |
| AIRINDIA | 5338 | 17.07 |
| MTNL | 2973 | 9.51 |
| Hindstan Photo Films | 2917 | 9.33 |
| Western Coal Field | 1757 | 5.62 |
| Bharat Cocking coal | 1391 | 4.45 |
| Rashtriya Ispat Nigam | 1369 | 4.38 |

| | | |
|---|---|---|
| | 1155 | 3.69 |
| India Infrastructure Finance | 931 | 2.98 |
| Eastern Coal field | 657 | 2.1 |
| STCL | 26480 | 84.71 |
| Total | | |

**Sources : Public Enterprises survey 2017-8**

The size of loss-making companies also increased in the last ten years. In 2009, 25 percent of companies booked losses as compared to 28 percent in 2018. According to the economic survey, a on 31[st] march 2018, there were 71 CPSEs with accumulated losses of 31,261 crore. Ten loss-makers accounted for over 85 percent of the total loss making companies some of these companies have booked a loss for several years. Bharat Sanchar Nigam Ltd, Air India and Mahanagar Telephone Nigam Ltd, incurred a loss equal to 52-15 percent of total loss making government companies in F.Y. 2018.

BSNL and MTNL are struggling to survive in the competitive telecom space and they are likely to merge in next 18 Months. BSNL is running in losses since F.Y. 2009-10. Most of the cost incurred is due to expenses on huge number of employee's pension.

**Government Policy :**

**23 PSUS up for strategic disinvestment :**

The budget estimate for the move in 2019-20 has been set at Rs. 1,05,000 crore.

The finance Ministry informed parliament on 22 July that in 2018-19, the proceeds from disinvestment were, Rs. 84,972 crore.

These Narendra Modi government has decided to go for strategic disinvestment of 23 Public sector Undertaking (PSUs). The budget estimate for the move in 2019-20 has been set at Rs. 1,05,000 crore. The finance ministry informed parliament on July 22 that in 2018-19 these proceeds from disinvestment were R. 84,972 crore.

Among the units that will go down the hammer include project & amp; Development India Ltd, Hindustan

Prefab Limited (HPL), Engineering project (India) Ltd, Bridge and roof co. India Ltd, Pawan Hans Ltd., Hindustan Newsprint Ltd. (Subsidiary), Scooters India Ltd., Bharat Pumps & amp; Compressors Ltd, Hindustan Fluorocarbon Ltd., (HFL) (sub.) central Electronics Ltd., Bharat Earth Movers Limited Ferro scamp Nigam Ltd, (Sub.) Cement Corporation of India Ltd. (CCI), Nagamar Steel Plant of NMDC and Alloy Steel plant of SAIL.

**Conclusion :**

It in concluded that disinvestment of public sector undertaking more efficient through the selling of stakes to the private individuals. Even though CPSU is beneficial for the socialistic pattern of the society, but the most important part is to develop Indian Economy. Hence Disinvestment is important process.

The point is to be noted in connection with Disinvestment Policy that Government should sell only the loss making public sector unit and before selling them to private individual, revaluation of companies structure should be considered.

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