

## Disinvestment Of Central Public Enterprises

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### Abstract

After independence when economic planning was introduced India adopted the mixed economic system. The main feature of the mixed economic system is the co-existence of public sector and private sector. The new economic policy initiated in July 1991 clearly indicated that PSUs had shown a very negative rate of return on capital employed. Inefficient PSUs and Government's resources were turning to be more of liabilities to the Government than assets. Many undertakings traditionally established as pillars of growth had become a burden on the economy. The national GDP and gross national savings were also getting affected by low returns from PSUs about 10% to 15% of the total gross domestic savings were getting reduced on account of low savings from PSUs. In relation to the capital employed levels of profits were too low.

### Introduction

The term 'Disinvestment' is the opposite of the term 'Investment'. Investment is acquisition of earning asset with the help of money. **For example:-** If bonds are purchased or shares of companies are purchased by spending money it is known as investment. In the case of investment money is converted into earning asset to earn income. On the other hand in the case of disinvestment an earning asset is converted into liquid cash. Here, we shall use the term disinvestment in a special sense. By disinvestment we mean the sale of shares of public sector undertakings by the government. The shares of government companies held by the government are earning assets at the disposal of the government. If these shares are sold to get cash, then earning assets are referred to as disinvestment.

### Objectives of Study

- To understand the concept of Disinvestment and its impact on Indian Economy.
- To understand the process of Disinvestment of Public Sector Enterprises.
- To understand the Importance of Disinvestment.
- Recent Disinvestment in India.

### What is the difference between Privatization and Disinvestment?

**Disinvestment :-** When Government decides to retain the ownership as well control over the management of company, it sell a portion of the total shares maximum of 49% and gets the fund and henceforth Government will get 51% of the total profit of the company and balance 49% will go to those whosoever purchased those shares. Disinvestment indicates only partial dilution of control by the Government and still retaining overall ownership of a particular enterprise.

**Privatization:-** If the Government decides to completely wash its hands off the company, than it will sold out 100% of the shares to public. Privatization means give out entire ownership in favor of private parties.

### Objectives of Disinvestment

- To reduce the financial burden on the government.
- To improve public finances.
- To introduce, competition and market discipline.
- To fund growth
- To encourage wider share of ownership.
- To depoliticize non – essential services.

### Importance of Disinvestment

- ❖ Financing the decreasing fiscal deficit.
- ❖ Financing large – scale infrastructure development.
- ❖ For investing in the economy to encourage spending.
- ❖ For social programs like health and education.

## Disinvestment in 2014 to 2019

Year	Total Receipts By Stake Sales (Rs. Crore)	Inflation Adjusted Total receipts (Rs. Crore) (In 2019 Rupees)
2013-14	15,819	19,987
2014-15	24,348	28,967
2015-16	23,996	26,851
2016-17	46,247	50,620
2017-18	1,00,056	1,05,303
2018-19	84,972.16	84,972

starting from 2014 to 2018 BJP led NDA government divested total Rs. 1,94,646 crore. which also includes minority and majority stake sale of most profitable Public sector undertaking companies, like ONGC (Oil and Natural Gas Corporation) HPCL (Hindustan prefab Corporation Limited) dealworth Rs.36,915 crore. in budgetary announcement of financial year 2017-18 The Finance Minister noted that the government initiated strategic disinvestment in 24 PSUs, including Air India, this fiscal. This would be the first year when the government is on course to hit the divestment target.

Since financial year 1991-92 to 2017-18 government led by political parties sold total public assets of Rs.3,47,439 Crore. In past recent years Public sector undertaking units performed well as compared to other private competitors and paid huge dividends to government. Net Profit of all 257 operating CPSEs during 2016-17 stood at Rs.1,27,602 crore compared to Rs. 1,14,239 crore during 2015-16 showing growth of 11.70% while Loss of loss incurring CPSEs minimized to Rs. 25,045 crore in 2016-17 compared to Rs. 30,759 crore in 2015-16 showing a decrease in loss by 18.58%.

### Conclusion

Disinvestment is a process. We can learn from experience. We can modify the modalities as we go along. It seems that there is no way of retreating from disinvestment. It has come to stay in Indian economy. Two points should be noted in connection with the disinvestment policy. First, some restricting of PSUs may be needed before disinvestment to enhance the value of shares and increase sale proceeds: The three broad areas of restructuring would be corporate governance, financial restricting and business and technological restricting. Second, The process of disinvestment has to take into account the conditions in the capital market. Disinvestment should not result in "crowding out" resources available for the private sector.

### References

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