

Disinvestment : Not by cosmetic changes alone

**Business
Standard**Paper - III
(Economy)

The recently released Interim Budget 2024 made a classification change – Disinvestment did not figure as a receipt item in the Budget documents. Earlier, disinvestment would be a separate entry under ‘miscellaneous capital receipts’.

What was The Idea Behind Disinvestment?

Reforming PSUs through disinvestment by making their managements a little agile and more responsive to market forces.

Increase the revenue for the government whose finances were in a poor state. Governments have periodically used disinvestment more as an instrument to reduce the deficit rather than to do away with government ownership of enterprises, upholding the economic principle that the government should not be in the business of running businesses.

What new Approach to Disinvestment will Help Improve its Performance?

Here are two approaches that the government could adopt.

- 1) **Timeline-based Targets:** Apart from strategic PSUs, all other PSUs should be placed under a 5-year time-table for disinvestment or privatisation depending on the market opportunity and suitability of the entities involved.
- 2) **Creation of New Ministry:** PSUs which the government plans on exiting should be brought under the administrative control of a new disinvestment ministry (and delink it from the finance ministry). This will delink disinvestment from the government’s revenue-raising obligations.

What are The Issues with Disinvestment?

The pace of disinvestment has slowed, and in the last two decades only 1 PSU has been privatised. In the last 32 years, the government has managed to achieve its disinvestment target only in 8 years.

Evolution of Disinvestment in India:

- Disinvestment in India began in 1991-92 when 31 selected PSUs were disinvested for Rs. 3,038 crores.
- The term ‘disinvestment’ was used first time in Interim Budget 1991.
- Later, Rangarajan committee, in 1993, emphasised the need for substantial disinvestment.
- The policy on disinvestment gathered steam, when a new Department of Disinvestment was created in 1999, which became a full Ministry in 2001.
- Ministry of Disinvestment was formed in 2001, But in 2004, the ministry was shut down and was merged in the Finance ministry as an independent department.
- Later, the Department of Disinvestments was renamed as Department of Investments and Public Asset Management (DIPAM) in 2016. Now, DIPAM acts as a nodal department for disinvestment.

