



# DISINVESTMENT PROGRAMME AND STRATEGIC DISINVESTMENT OF PUBLIC SECTOR IN INDIA: A STUDY ON CURRENT PERSPECTIVE

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## Abstract

At present, in order to deal with the country's economic slowdown, the central government has decided to be strategic Abolish investment in public sector operations (Psu). It is worth mentioning that the first stage of strategic investment withdrawal is 5 public sectors Business-Bharat Petroleum Corporation Limited (BPCL), Indian Shipping Corporation (SCI), Indian Container Corporation Ltd. (Concor), Tehiri Hydro Development Corporation India Limited (THDCIL), Northeastern Electric Power Corporation (Northeastern Electric Power Corporation), Northeastern Electric Power Corporation (Northeastern Electric Power Corporation), Northeastern Electric Power Corporation (Northeastern Electric Power Corporation) In the first phase of strategic investment withdrawal, a portion of the restricted (NEPCO) by the government will be sold. Give information about Government decision, Smt Finance Minister. Nirmala Sitharaman said, "The government has decided that it will reduce its stake Many PSUs will be 51 percent or less."Analysts assume that this decision of the government will significantly increase the Treasury It is used by the government as a public expenditure. The article presented describes the recent decisions of the government related to Investments in PSUs, their need, the challenges that arise as a result, and measures to make performance effective.

**Key words:** public sector undertakings, disinvestment, Indian economy

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## Introduction

In the context of the Indian economy, the most discussed and controversial topics in the last decade of the 20th century have been India's Public Industry Investment Abolition program. After independence, much government money was invested in the establishment of Public industry in the country. Financial institutions also came under the authority of the public sector after the nationalization of banks And insurance companies in India for control, licensing quotas and permitting systems. But the public sector has failed to achieve its Purpose of establishment. Losses had

become their culture and proved to be a burden for the economy. For relaxation,

Management mistakes and red tape, their capital was also over. Their losses began to increase so much that it became difficult to operate.

The shortage was felt for the smooth functioning of the economy, with international and financial institutions (World Bank and International Financial Fund) Put pressure on the government to implement an investment abolition program in exchange for financial support. Therefore, due to With the financial crisis and pressures from international financial

institutions rampant, it was necessary to implement an investment abolition program. The-

The path to the Psu was carried out by the Center in 1991-92. Overview of the current Guidelines

The privatization policy is indicated in a self-contained statement made in both houses in 2002-12-9. Investment Decommissioning Program

It is implemented to achieve the following objectives:

Report the creation of new assets.

Generation of employment.

Eliminate government debt.

Since the assets remain the same, the ownership of the assets is transferred to ensure that the ownership of the assets is not transferred through the de-investment process.

The process of investment abolition. If it is, it will also ensure that the abolition of investments will not lead to private monopolies.

Establishment of Non-Investment Income Fund

To create guidelines for the investment abolition of natural asset companies.

The government is preparing documents on the civilization and functioning of holdings, management, and asset management companies

Dispose of the remaining government holdings to companies where government shares are not invested

Favorable partners.

The government is taking the following specific decisions:

(a) Acquisition of bharat petroleum Corporation Limited (bpcl) by the public,

(b) Travel trip to hindustan petroleum corporation Limited (Hpcl) by a global oil company

c) Allocation of a specific percentage of shares to employees of both companies at discounted prices in both HPCL and BPCL cases.

The Department of Disinvestment was constituted in December 1999 to accelerate the disinvestment process in the shareholding industries of employees and for the first time the Ministry of Disinvestment was established in the Central Government. In the Union Budget presentation for 2000-01, the Central Government clarified that for the disinvestment program of government companies, the government may consider 100% disinvestment of some undertakings. It was announced to reduce the government stake in all non-critical public sector undertakings to 26 percent or even less. The amount received from the disinvestment was used to fulfill the needs of the social sector and promised to repay the loans taken earlier.

### Meaning of disinvestment

The process of selling a government stake in a public sector business (Psu) is known to be called investment abolition. But below

When you give up an investment, the government retains ownership or ownership of that venture. Investment decommissioning is usually considered a budget and is under it. The government sets an annual target for the abolition of investment in selected PSUs. Whereas strategic sales involve the transfer of management control,

Namely ownership and control along with the shares of public sector entities are transferred to private sector entities. Strategic investment is a Types of privatization, as opposed to simple investment abolition

### Importance of disinvestment in india

At present, many public sector businesses of the Indian government are closed and excess funds are idle. The-

The government can use this fund for the public interest by canceling the investments of these companies that can prove to be very important for

Indian economy. The disbanded money can be used as follows:

to fund the expansion of India's budget deficit,

To fund large infrastructure projects across the country.,

To balance the increase in consumption and demand.,

to reduce government debt Research for the implementation of social programs in the field of health and education

Meanwhile, private companies and companies can buy these uninvested stocks of Psu at cheaper prices, with skills, discipline and The talent brought by such a private company is not enough for the overall performance of the unit with such a disease.

### **Features disinvestment policy**

Investment abolition policy is mainly developed through the address of the President to the joint session of Parliament and statements

Made by the Finance Ministers of Parliament in their budget speech.

The salient features of this policy are: -

To ensure that public sector business is the property of the state and this property should be in common hands People, public ownership should be promoted in the case.

While quitting investment by selling a few of the listed CPSEs, the government will keep at least 51 in multiple control i.e.% Psu shareholding and management management.

Transfer of business management with strategic investment withdrawal by selling a significant share of more than 50% of the government Shares held in the identified Cps

### **Evolution of indian disinvestment policy**

Investment in India was first launched in 1091 when the government decided to sell a 20 percent stake in the selected public sector

Enterprise.

In 1993, the Rangarajan Commission proposed to abolish the investment of 49 percent of public sector units reserved for the public

Sector and 74 percent for all other public sector units. However, these recommendations could not be implemented.

The Non-Statutory and Advisory Nature Investment Committee was established in 1996 under the leadership of GV Ramakrishna and a

Under the Ministry of Finance in 1999 was established a major step of abolition Ministry.

In 2001, the Ministry of Investment was renamed the Ministry of Investment.

In 2004, the then government announced the revival of public sector companies and has given them commercial autonomy

"Common minimum program".

Then the State Investment Fund was established in 2005, through which the process of investment abolition took place

It was carried out.

The new investment policy was launched in 2014 and the recommended powers for the abolition of investment are as follows

It is approved by NITI Aayog.

In a speech on the budget for the fiscal year 2016-17, the Finance Minister announced the name change and restructuring of Department of investment abolition. Then it became known as the Department of Investment and Public Asset Management & Dipam

### Criticism of disinvestment policy

After the announcement of industrial policy in 1991, various governments that came to power adopted the abolition of investment

Policy after some changes. Most ministers in the National League for Democracy government were critical of this policy of abolishing investment.

He said that it is not right to sell companies that make high profits. George Fernandez, then defense minister, wrote in a letter to the prime minister

The Minister strongly opposed this investment policy. He said, "I believe in all of us before any further investment is made

Working in government requires us to decide whether the path we have adopted is benefiting the citizens of India. In my opinion,

The purpose of the abolition of investment is to benefit the general public, consumers and investors, and at the same time there should be competition

Advanced monopolies should be eliminated."

The main points of criticism of the investment abolition policy are::

Whether profitable companies are not invested, and industries that make losses should be left under the government

Ownership.

How should the interests of workers and employees be protected?

What should be the procedure to cancel the investment?

Should public sector companies be allowed to bid for investment withdrawal.

How should the proceeds from the investment be used?

### Strategic disinvestment of psus

The following five PSUs strategic investment abolition was decided by the government :

Bharat Petroleum Corporation Limited (BPCL): Existing 53.29 percent stake, according to the central government

The Indian government of Bharat Petroleum Corporation Limited plans to strategically discontinue the investment and entrust the management of the business to

Strategic buyer. It is worth noting that the limited Numaligarh refinery under BPCL will not be included in this investment

Control is given to other PSUs engaged in the oil and gas sector.

Indian Shipping Company (SCI): The government of India's existing 63.75% stake in Indian shipping company will be

Stop investing strategically and give business management to strategic buyers.

Container Corporation Of India Limited (CONCOR): It is known that the government of India currently holds about 54.8% Shares under CONCOR, the sale of 30.8% of which was determined under the strategic investment withdrawal process. In addition, managers

Control is given to strategic buyers.

Tehri Hydro Development Corporation India Limited (THDCIL): THDCIL is a joint venture between Uttar Pradesh and India.

Three-four shares held by the Government of India, while the Government of Uttar Pradesh and the rest and the Government of Uttar Pradesh.

As part of the Pradesh investment withdrawal process, the Indian government plans to sell a 74.23 percent stake to another public sector, NTPC

It's a company and its business management will be handed over to NTPC.

North Eastern Electric Power Corporation Limited (NEPCO): As part of the investment decommissioning process, the government will relocate Management management to NTPC with a 100 percent stake in NEPCO.

The need for strategic withdrawal

The following are the requirements of the government to take Psu strategic investment withdrawal decision :

In it is worth noting that in 2015, the government began to resume the policy of strategic investment withdrawal, so the private sector Companies can use their management skills to contribute to India's economic growth.

Some analysts believe that this decision is taken by the government aimed at reducing its fiscal gap

According to statistics, in 2019/9, the government received only 16.5 million rupees as net tax revenue.

It is only 36.8 percent of the estimated amount in the budget.

Separately, the finance minister had also said in his budget speech that cancel investments in public sector businesses

The next few years will remain a priority for the government. Also, the government had set an investment abolition target of rs1.05

Trillion of the current fiscal year to end 2020/3/31

### **Potential consequences of strategic disinvestment decisions of PSUs**

The government's decision to discontinue the above-mentioned Psu strategic investment may have the following possible consequences :

Financial resources derived from strategic investments in public works are used to finance the social sector.,

It will not only benefit the general public of the country, but also increase the development scheme of the government

Overall demand in the country.

It is important to note that the resources received will be part of the budget, so that the public will be able to review them

Use.

According to analysts, the strategic buyer or recipient of these Psus will bring new management, new technologies and new

Investment in their development will give them the opportunity to innovate and grow economically.

Sebi is also of the view that abolishing public sector investment in business could accelerate capital markets.

### **Challenges before strategic disinvestment**

The following are the challenges the government faces in making strategic investment decommissioning decisions for Psu -

That is, only 4 months remain at the end of the current fiscal year, and, according to experts, it is relatively likely

Challenging for the government to complete the process in such a short time.

In the absence of the necessary time, resulting in transparency of processes like the appointment of consultants and pricing mechanisms.

It can also prove to be a big challenge for the government.

### **Measures to make disinvestment effective**

To make investments in the public sector effective, the following measures can be taken :

The investment abolition program has proven to be a disastrous failure over the years. From this you will see that there is a problem

Investment decommissioning process. If the stock is overvalued, at least there will be a bid for the stock, and the risk will arise

If the stock is overvalued, the purchaser and the government will suffer losses. In this situation, you need

The government should adopt international norms on the valuation of PSU shares and take advantage of the experience of

Other successful countries. You should consider the current marketing remedies and the future of the company. In this case

This is done and it helps in a balanced pricing of stocks.

□ There is a significant difference between the goal and the income achieved by the government by stopping investing in public

sector industry. In the Indian economy, the government does not invest in profitable industries. the government

We should not adopt policies that stop investing under such industries.

It would be more appropriate to provide more opportunities for employees' participation in the investment abolition. This partnership looks like this:

It is given by offering ownership shares rather than selling them shares. The wealth of the company can be increased by its employees

Employees also own more by increasing efficiency. It would be appropriate for the government to get the support of

Employees in this way.

In this new environment of increased competition, employees of public sector companies can be seen defending their rights

(Under the welfare state). In this situation, an agreement is required between the protection given to the employee and the protection given to the employee

Exemptions that may be given to strategic partners for operating the company.

More delays in stock marketing have the effect of keeping potential buyers' funds as a long-term block. This type of delay

Should be avoided.

The bus process and priorities should be clearly defined in relation to the investment removal work.

To facilitate the investment withdrawal process, foreign accredited investors should be attracted to the use of new technologies.

- Under the disposal process, the ratio of shares sold and the share of individual investors should be assessed from time to time,

The government must ensure an appropriate ratio of national interests

Investment policies must be more realistic. Keeping the public isolated from the Investment Abolition process Hinders Achievement

The basic purpose of privatization is broad ownership of shares. In addition, each round of investment abolition means additional costs

Because the government should declare the investment abolition program in the appropriate form.

Separation of assets by strategic partners (for example, the disposal of assets of the enterprise), profit from it and eventually abandon it

After taking advantage of the industry involved is a concern of the government. Therefore, the government must have a law

Deal with such situations.

Perhaps the best way to cancel a PSU investment is to make a public issue of PSU shares made by IPCL. with this,

Ownership of shares gets a detailed form, and the government also gets the appropriate value of the shares.

But from the point of view of investor security, it should take care of its proper and up-to-date

Information is provided to them.

Corrective measures should be carried out by regularly reviewing or reviewing investment decommissioning work

Abolish investment jobs.

Private businessmen and industry associations related to trade under non-governmental efforts for the national interest should also

For the success of investment withdrawal sometimes take the initiative and give suggestions for success.

Listed companies should be restructured to make investments successful, and new technologies are being adopted, so they can be

I got it at a reasonable price.

Experts believe that the abolition of investment should not simply be seen as a tool to reduce the fiscal gap.

Governments should focus on strengthening regulatory frameworks that ensure an efficient market environment.

It is likely to attract private Promoters in terms of losses that make the venture as it is later also believed

In ventures that lose investment, this anxiety persists. Who will the government sell the remaining shares to? It is

It is generally difficult to determine the market value of the assets of a company that makes a loss. Therefore, this task should be entrusted

To professional valuation to determine the actual market value.

The PSU has an advanced built-in. In practice, statutory regulation is more effective in mergers, consolidation,

These processes must operate independently without any regulatory intervention, but with foreigners of companies

Local employers, institutions and businesses should have more opportunities to participate.

Governments should make efforts to encourage public financial institutions and individuals to invest in PSUs. This is...

Private ownership will be able to get the opportunity to participate by ending government monopolies. until now, the government

It maintains control of the Psu through government financial institutions. These financial institutions have failed to monitor

Businesses keep employees and trained.

For successful investment abolition and privatization, competition must be intensified. many companies should be born in each of them.

Industry to be able to generate competition between them. This allows the development of commercial potential and good

Business results can be obtained from the enterprise.

As for employees, it is necessary to follow an appropriate issuance policy aimed at distributing assets without neglecting them.

Benefit employees in such a way that their more productive use is possible.

Future processes should be determined based on efforts made so far in connection with the abolition of the Psu share capital investment.

There should be transparency in the Ovestment process. There is a possibility of many mistakes in speed, and in the best case

An appropriate alternative system of investment decommissioning is then employed in relation to irregularities, breakdowns and malfunctions

Obstruction can be avoided.

For public works is the property of ordinary people, because the government must meet the loss of finances and income, public works must meet the loss of finances and income from public works.

Funds received from investments, but at the same time provide basic facilities, human development programs in education,

Health, poverty alleviation and food security put more power.

In token privatization should be selected fairly based on the capitalist class, domestic and foreign potential

Investors should also be selected with minimal conditions, and political interference should be kept away, so that there is no conflict and

I was able to get the maximum value of the stock.

By adopting the above corrective measures, it is very likely that we will stop investing in the Indian economy. but,

The failure of the investment abolition program in India suggests that there is something wrong. Undervaluation of shares will be under tender, which poses a risk to the underwriters, and overvaluation of shares will cause losses to the government. at the same time,

The economy is also developing by making equal and appropriate use of the funds received from the sale of shares in public sector businesses. in this

As regards the government should adopt international norms to be able to balance the pricing of Psu shares. The process of

It would be appropriate to implement investments in a well-balanced and planned manner so that appropriate reforms can be brought to the field

Of Psu. At the moment, it is very important that transparency should be maintained at all levels of India's investment withdrawal program

Together with the above corrective actions.

## CONCLUSION

It is imperative that governments use this critical budget instead of abolishing investments as a tool to reduce the fiscal gap

The system should be used as part of a strategic plan to improve the production of goods and services in India

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