Govt plans to shift focus from disinvestment policy

Rajeev Jayaswal
rajeev.jayaswal@htlive.com

Nirmala Sitharaman, Union finance minister. MINT

NEW DELHI: The government may review the existing disinvestment policy and shift its focus from selling state-owned companies to prudent public wealth management, supporting not-for-profit enterprises, and ensuring strong presence of state-run firms in strategic sectors, two people aware of the development said.

The Indian economy has become stronger and global economic realities have changed considerably since February 2021 when the government unveiled its Public Sector Enterprise (PSE) Policy for Atmanirbhar Bharat. Hence, a review of the existing policy of 2021 is expected, they added requesting anonymity.

The February 2021 policy was prepared at a time when Covid-19 pandemic had wrecked the global economy. India proposed the policy on February 1, 2021 in he budget with a specific target of mopping up ₹1.75 crore as disinvestment receipts in the budget estimates (BE) of 2021-22. The target was finally reduced to ₹78,000 crore.

"India's financial position is much better now with robust revenue flows; hence disinvestment proceeds are no longer critical for meeting fiscal deficit targets," one person said.

The 2021 policy that provided a roadmap for disinvestment in all non-strategic and strategic sectors sought to keep the g presence of central public sector enterprises (CPSEs) to four strategic areas : atomic energy, space and defence; transport and telecommunications; power, petroleum, coal and other minerals; and banking, insurance and financial services.

"In the changed national and global situations, when new challenges are emerging due to rapid technological advancements, a review of the policy is also needed," the first person added.

"The focus of the government is also on maximisation of overall value of PSEs in the nation building rather than giving a specific disinvestment target in the budget to please market analysts," a second person said. A beginning was already made in the revised estimates of 2023-24, which do not show any specific number for disinvestment in 2023-24, he added.

The interim budget for current financial year also has no specific mention of any disinvestment target, and this trend may continue, he said.

Existing CPSEs and new ones would continue to participate in India's economic development along with increased private participation, the second person said, adding that strategic sale of important companies such as Bharat Petroleum Corporation Ltd (BPCL) will also be reviewed. The sale of BPCL has been on hold since May 2022 after an unsuccessful attempt.

The budget, which is expected in the third week of July, may speak about public asset management along with disinvestment of non-core businesses and closure of loss-making units, the people mentioned above said. Union finance minister Nirmala Sitharaman, who presented the interim budget on February 1 before the general elections, did not mention disinvestment estimates under the head of non-debt capital receipts. While budget estimates for 2023-24 (presented in Parliament on February 1, 2023) had a specific number of ₹51,000 crore as disinvestment receipts, the same was missing in the revised estimate for the same fiscal year.

Industry is, however, keen on government disinvesting CPSEs. In the post budget consultation with revenue secretary Sanjay Malhotra on June 18, the Confederation of Indian Industry (CII) proposed a disinvestment push for "revenue augmentation" suggesting the government "adopt a demand-based approach to select PSEs for disinvestment and announce a time bound three-year schedule" for the same.