Parliamentary panel for strategic divestment of Central PSUs

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A Parliamentary panel has flagged the need for strategic disinvestment of Central Public Sector Undertakings (CPSUs) to lower the burden on the exchequer and improve the efficiency.

The government needs to prioritise disinvestment, the panel recommended.

The recommendations come at a time when the word 'disinvestment' has been dropped in the Budget documents and no specific targets have been fixed for disinvestment.

Rather, the nomenclature 'Miscellaneous Capital Receipts' has been used.

These receipts include money received on account of management of equity investments and public assets through various mechanisms.

The Department related Standing Committee on Finance, in its report on Demands for Grants for five departments of Finance Ministry (Economic Affairs, Expenditure, Public Enterprises and Investment and Public Asset Management) said: "With the discontinuation of disinvestment targets, the committee would like to press upon the importance that strategic disinvestment holds in the country, particularly in reducing the fiscal burden of the government and promoting efficiency."

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Strategic disinvestment refers to transfer of majority stake along with management control of CPSE to private entity.

Last such action was taken in Neelachal Ispat Nigam Ltd, when it was handed over to Tata group.

It also urged the Ministry to ensure that disinvestment should not become any less of a priority and be carried out in the right spirit with the aim of enhancing operational efficiency and maximising long-term value for CPSEs and optimising returns for the government.

REVISED APPROACH

The committee recorded the submission of the Finance Secretary, when he said that the government has actually revised a fixed target approach for disinvestment.

"From RE of 2023-24 as well the Budget of 2024-25, we do not have a fixed disinvestment target. There is a general entry called miscellaneous capital receipts under which disinvestment receipts as well as asset monetisation receipts to the extent they accrue to the Consolidated Fund of India are accounted for.

"It will more like in the nature of what we can achieve and not a specific disinvestment target," he said.

HOLISTIC APPROACH

Adding to this, the Ministry said that disinvestment is an ongoing process, and timing and completion of transactions are contingent upon economic outlook, sectoral trends, market conditions, investor interest and administrative feasibility.

Further, the the government has now focused on a holistic approach of public asset management which balances the objectives of value-creation and value unlocking in CPSEs to optimise returns for the government (and other minority stakeholders in listed companies) and disinvestment of CPSEs as per the extant policy (minority stake sale and strategic disinvestment).

"Value creation in the CPSEs is being prioritised through a balanced policy of capital management of CPSEs based on consistent dividend policy and other measures and keeping in view the conditions prevailing in the market and investors sentiments for disinvestment," the Ministry said.