



Government's Disinvestment Plans

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Why in News

Recently, the Ministry of Finance has extended the bidding deadlines for the strategic **disinvestment** of **Pawan Hans** by a month, citing logistical challenges faced by interested bidders due to the **Covid-19 pandemic**.

Pawan Hans Limited is a **helicopter service company** based in New Delhi. It is a **Mini Ratna-I** category Public Sector Undertaking.

Key Points

- **Background:**
 - **Government's Disinvestment Target for 2020-2021:** Government **plans to raise Rs. 2.1 lakh crore** through disinvestment in 2020-21, with just about **Rs. 14,000 crore raised** so far through minority stake sales.
 - **New Public Sector Policy:** As part of the '**Aatmanirbhar Bharat Abhiyan**' package, the government in May 2020 had announced that there will be a maximum of four public sector companies in the strategic sectors, and state-owned firms in other segments will eventually be privatised.
 - Under the policy, **a list of strategic sectors will be notified** where there will be **at least one and a maximum of four public sector enterprises**, apart from private sector companies.
 - **In other sectors, central public sector enterprises (CPSEs) will be privatised**, depending on the feasibility.
- **Current Situation:**
 - The **Bidding deadline** for the disinvestment of **Pawan Hans** has been **extended by a month**.
 - Strategic sales of public sector firms like **Air India** and **Bharat Petroleum Corporation Limited (BPCL)** are unlikely to conclude this year.
 - Further amendments are needed to the LIC Act of 1986 to list the **Life Insurance Corporation of India** on the markets.

- **Need for Disinvestment Proceeds:**
 - There is a pressure on the government to raise resources to **support the economic recovery** and meet expectations of higher outlays for healthcare.
 - The increase in public **spending in the upcoming Budget** will have to be financed to a large extent by garnering disinvestment proceeds and monetising assets.
 - To **eliminate the need for the government's involvement in non-strategic areas.**

Disinvestment

- Disinvestment means **sale or liquidation of assets by the government**, usually Central and state public sector enterprises, projects, or other fixed assets.
- **The government undertakes disinvestment to reduce the fiscal burden** on the exchequer, or **to raise money** for meeting specific needs, such as **to bridge the revenue shortfall from other regular sources.**
- **Strategic disinvestment** is the **transfer of the ownership and control of a public sector entity to some other entity** (mostly to a private sector entity).
Unlike the simple disinvestment, strategic sale implies a kind of privatization.
- The **disinvestment commission defines strategic sale as the sale of a substantial portion of the Government shareholding of a central public sector enterprises (CPSE) of upto 50%**, or such higher percentage as the competent authority may determine, along with transfer of management control.
- The **Department of Investment and Public Asset Management (DIPAM)** under the Ministry of Finance is the nodal department for the strategic stake sale in the Public Sector Undertakings (PSUs).
- Strategic disinvestment in India has been guided by the basic economic principle that **the government should not be in the business to engage itself in manufacturing/producing goods and services in sectors where competitive markets have come of age.**
The economic potential of such entities may be better discovered in the hands of the strategic investors due to various factors, **e.g. infusion of capital, technology up-gradation and efficient management practices etc.**

Source:TH