GOV/ECO

Q) Why do governments resort to selling off the family silver, to raise revenues? Critically examine the relevance of disinvestment.

A) • Disinvestment refers to - the government selling or liquidating its assets & stakes in PSEs (Public sector Enterprises).

• The target for disinvestment, as announced by the finance Minister for FY20 is Rs 1.05 trillion.

Relevance / Importance	Challenges / Issues
• Disinvestment is expected to fill some gaps in tax revenue.	Against the socialist policy of equal distribution of resources.
• Private players do not have the beurocratic lag and hence efficient.	Private ownership does not guarantee efficiency (Rangarajan Committee - 1993)
• Political interference and Trade unionism - absent, hence efficient	leads to monopoly by corporate houses.
• Private players ensures developing / acquiring contemporary technology	They may overlook developmental region disparity
• Competitive bidding leads to competition in private sector to participate in PSUs	Public assets are undervaluated and favouritism bidding leads to loss of public exchequers

* Hence, the government resorts to selling the family silver to

- To reduce financial burden on govt.
- Introduce competition
- Encourage wider share of ownership
- Increase efficient use of resources

- Improve public finances
- Fund growth
- depoliticise non essential services

* Steps taken to promote disinvestment:

- Fast tracking of approvals & procedures
- Focus on asset monetisation –
  - Identified non core assets under Strategic Disinvestment
  - Inter ministerial group and Consultative Group notified
  - Asset Monetisation Cell - hiring intermediaries
- Debt - ETF -
  - announced in interim Budget 2019-20
  - Department of Investment & Public Asset Management (DIPAM) - in the process of creating debt ETF - to enable PSEs to access debt / bond market - to partially meet their capital expenditure needs.