Stick to targets

If we are unsure of how the yearly divestment plan will pan out, it's better to avoid a target

THE government is poised to scale back its Rs 69,500 crore divestment target this year. Junior finance minister Jayant Sinha has termed this year's divestment plan as challenging. This comes soon after speculation that the government's disinvestment department wanted to more than halve the target for the current financial year to about Rs 30,000 crore. Tinkering with divestment targets is not new. Earlier governments have also done the same. Economists and analysts had flagged the Rs 69,500 crore target as ambitious when the figure was revealed months ago. The government had put on a brave face then. An eventual lowering of the target should not come as a surprise, given the unimpressive track record with less than half of the annual targets met, a bulk of them raised late in the respective fiscal years. However, the scaling down of this target by the incumbent government does come as a surprise. If mistakes of the earlier governments are repeated, than what is it that the present dispensation is promising? Admittedly, progress on the divestment front has been slow in the first half of this fiscal year. So far, the government has collected about Rs 12,600 crore through share sale in state-owned companies. This includes the IOC's stake sale that required huge support from the LIC to see it through. If this year's divestment target were eventually revised, it would be the sixth straight year for the government to miss the mark. A cut is looming. Total proceeds now amount to less than a fifth of the annual target and only two quarters of the fiscal year are left to reach the Rs 69,500-crore mark. It is true that the volatility in financial markets and a free fall in commodity prices have spoiled the government's asset sale plan. While a 10 per cent stake sale of Coal India can alone meet half the annual target, indications are that this sale might get postponed to the next fiscal year. At this moment, finance minister Arun Jaitley sees no cause for concern on the fiscal deficit front. While wage increases for government employees and higher capitalisation needs for PSU banks are expected to pile extra pressure, the government may finally meet the fiscal deficit target with some effort. However, the headroom to step up capital spending in the coming months will be cramped. This newspaper believes that the Indian government must take the divestment target very seriously. We take the fiscal deficit target seriously, but do we focus as much on the divestment target? As a nation that wants to be credible with the economic data that we share, the Centre has an important responsibility of presenting a 'believable' disinvestment target at the outset. If a blue chip company gives tall revenue and profit guidance at the start of year and then lowers it midway, stock markets are ruthless. If we give a divestment target, we must stick to it. If we are not sure of how the yearly plan for divestment will pan out, it's better to avoid a target. Many companies do the same when they are unsure of the environment. The government needn't be any different. The new India, which many envision, cannot emerge if we remain thick skinned.

mymind@mydigitalfc.com