# Going slow on the D-word

## The next government must push disinvestments in next fiscal

AS THE NDA regime gears up for the national elections, there are pre-budgetary indications that the disinvestment target for FY25 may be relatively modest at ₹30,000 crore, which is 40% lower than the targeted ₹51,000 crore for the current fiscal. For perspective, this is the lowest in nine years. Clearly, this is underwhelming as the actual disinvestment in the current fiscal itself is likely to be 60% lower than the target. Although it makes sense to set a smaller disinvestment target and over-achieve it, much like what has happened with revenue collections in recent years, there is no doubt that the forthcoming election is responsible for shifting the focus away from divestment and privatisation or strategic disinvestments. The difference between disinvestment and strategic disinvestment is that the former entails incremental scrip sales of listed public sector undertakings while the government retains majority control while the latter involves a shift of management control to the acquiring party. Ahead of elections, governments are generally cautious about scaling up such exercises—popularly perceived to be selling the family silver to pay the butler—because of opposition from powerful trade unions.

While the elections are responsible for going slow on future disinvestments, this exercise has been running out of steam during the past few years. More so with strategic sales despite the government declaring that it has no business to remain in business. For starters, the government has never met its disinvestment targets since FY20 according to a report in this newspaper. The proximate causes include volatility in the stock market and obstacles created by administrative ministries. As for strategic sales, the successful transactions so far have been only Air India and Neelanchal Ispat Nigam Ltd in FY22 and FY23, respectively, both of which went to the Tata Group. This limited progress contrasts sharply with the sweeping agenda announced in Budget 2022, which also included BPCL, Shipping Corporation of India, Container Corporation of India (Concor), IDBI Bank, BEML, Pawan Hans, besides two public sector banks and a general insurance company. On IDBI Bank, the government has received multiple expressions of interest from domestic and foreign investors and the exercise could possibly be concluded next fiscal. Concor has been hanging fire since 2019 as the railway ministry's processes have been slow. There are doubts whether this transaction would be concluded even in FY25.

As plain vanilla stake sales are not fraught politically, the government must push through divestments next fiscal to cash in on the rallies in the stock markets and must be carried out as frequently as possible. Strategic sales are more complicated. As they are controversial, the bureaucrats involved in these complex processes fear penal action or harassment in the future. Perhaps provisions need to be built into the laws to protect the civil servants working on these transactions. Even though strategic sales take place through transparent bidding processes, there is clearly some anxiety that needs to be addressed. But the disinvestment targets can be more ambitious to fetch the government sizeable non-tax revenues to fund its capex plans to boost overall economic growth. Relying on market borrowings is not desirable. While at some point the private sector must do the heavy lifting in terms of investments, the government must have the tax and non-tax revenues from disinvestments to complement that effort.