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Has disinvestment lost priority or got held up?

The government's programme to offload equity stakes and other assets has shown paltry progress. We await clarity on why so little emphasis is placed on this deficit-bridging path

India's market-embracing effort to disinvest in non-strategic sectors of the economy seems to have dropped down the government's list of policy priorities. It has only raised ₹12,504 crore by way of stake sales so far in 2023-24, as against the budgeted ₹51,000 crore. With just two months to go, bridging that gap would be a tall order. Notably, this year isn't an exception, with data pointing to a steady slide in disinvestment aims. After climbing at first under the Narendra Modi government until 2020-21, the targets set for offloading stakes dropped for three years in a row—a trend marker. And barring 2017-18 and 2018-19, in all years, actual mop-ups from stake sales fell short of their budget estimates by large margins. This is at odds with the stance of the government having 'no business doing business,' as Prime Minister Modi has often stated. "Its job is to think about food for the poor, make houses and toilets for them, get them clean drinking water, make health facilities available to them, make roads... to think about the small farmers," Modi said in 2022. The pace of the Centre's extrication from the businesses it runs, however, does not reflect due urgency.

No doubt, disinvestment is easier said than done, as it is fraught with hurdles ranging from regulatory okays to labour relations. But this government, with its parliamentary strength and reform-friendly posture, was expected to accelerate that agenda. Progress, unfortunately, has been inexplicably slow. A political calculus may have played a role. Amid opposition tirades over 'state jewels' being given away, resistance along this path could have risen. Power turfs and gravy trains, though, would not be hard for a determined administration to stare down and roll back. Moreover, the market embrace this policy represents seems like an odd candidate for sacrifice at the altar of politics. Still, perhaps the rationale needs to be pitched better. While sell-offs clearly help bridge fiscal gaps, the idea must be judged by its larger economic benefits. Private participation in an economy goes with greater efficiency, as market competition and investor diversification gain sway. Privatizing state-held enterprises, as with Air India, would serve that end. Even their exposure to market discipline, as with LIC, could alter management incentives for the better. And as more firms get competitive, it will favour the whole economy.

One temptation for New Delhi is to sell only under-performers and retain dividend givers. In 2023-24, such payouts have joined buoyant tax collections to act as a harness against fiscal slippage. But for the whole economy to benefit, what matters is the state ceding commercial space. With this clarity, sell-off choices can be made by asset saleability as a big operative criterion. The basic conditions for it have been convergent: Private demand for Indian assets has been robust and our public finances must be tightened after the fiscal expansion brought on by covid. And while it's good to command high sale prices, we should not rule out selling state assets cheaply if they attract weak investor interest. That bargain-price offloading may be needed explains why doubling down on the agenda takes political confidence. This aspect heightens the wonder over why the programme has languished. It seems forlorn, if not entirely adrift. For the sake of reforms, we hope this is just a pause and not a reflection of a rethink on its value as a policy thrust. And even though an interim budget may not be the best platform for this, the government would do well to clarify its position and outline the way forward on it.