Achieving divestment target this year will be a challenge, says CEA

The many checks and balances slow down decision-making by Govt: Subramanian

OUR BUREAU

New Delhi, September 11

The uncertainty in the market will make achieving the disinvestment target set for the current fiscal all the more challenging, Chief Economic Advisor Krishnamurthy Subramanian said. He, however, clarified that he was not hinting that the target will be missed this year.

Subramanian was participating in a *BusinessLine* Knowledge Series webinar on 'How quick will India's recovery be?' The discussion, powered by BSE, was moderated by Raghuvir Srinivasan, Editor, *BusinessLine*.

Subramanian was responding to a question on how Reliance Industries, in just 20 weeks, had mopped up almost as much as the disinvestment target, while the government, with much larger resources, is struggling to meet the target year after year. "Particular example you are mentioning is where, primarily, decision being taken by one person and that is different from what has to happen in a democracy with necessary checks and balances," he said.

He emphasised that the private sector is not required to answer

Krishnamurthy Subramanian, Chief Economic Advisor

CAG, CVC and "all those others which some times constrains decision-making".

'Govt has shown intent'

The CEA said the government has already shown its intent to privatise some PSUs with its Cabinet decisions. "The decision-making apparatus has to actually incorporate uncertainty and not use hindsight to keep inferring bad intents because that generates risk-aversion and impacts decision-making," he added.

For this fiscal year, the government has set a target of mopping up ₹2.10-lakh crore through disinvestment, which includes minority stake sale and strategic disinvestment of PSUs and stake sale in LIC and IDBI Bank. As on date, it has managed to offload some of its stake in one company and mobilised over ₹770 crore. In contrast, Reliance has managed to raise over ₹1.5-lakh crore selling its stake in Jio.

'Cash doles won't help'

Asked about measures to boost consumption to hasten economic recovery, Subramanian said that just doling out cash will not be sufficient; incentivising durable consumption such as investment in infrastructure will be the key. Unlike in other crises, where cash could just be useful, now because of the pandemic and the need for social distancing, it is possible that cash may just sit in bank accounts, he said, pointing out the higher balance in Jan Dhan accounts.

On the state of India's banks, he pointed out that just one bank — SBI — figures in the top 100 global banks (ranked 55th) despite India being the fifth largest economy. He called for a "Dhoni effect".

"Our banking sector is like 1990s cricket team, which used to win well at home but nothing noteworthy to show, say at the global level. So, the banking sector should imbibe the spirit of Dhoni's cricket team which went and won 20-20 trophy in South Africa, Champions' trophy in England or the World Cup in India."

Subramanian maintained that a V-shaped recovery was on and that multiple data sets pointed to that. He talked about the fiscal deficit, government debt and discussed factors that will restore confidence in people, including the arrival of a vaccine. He justified terming the current crisis, 'a hand of God', saying it is a once in a 150-year event, which has caused GDP of a large number of countries to decline rather sharply.