

PRIVATISATION: SURVEY SUGGESTS NEW VEHICLE

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

The Economic Survey has aggressively pitched for divestment in public sector undertakings (PSUs) by proposing a separate corporate entity wherein the government's stake can be transferred and divested over a period of time.

Further, the survey has said privatised entities have performed better than their peers in terms of net worth, profit, return on equity and sales, among others.

Independent board

"The government can transfer its stake in listed CPSEs to a separate corporate entity. This entity would be managed by an independent board and would be mandated to divest the government stake in these CPSEs over a period of time," stated the Economic Survey presented on Friday.

"This will lend professionalism and autonomy to the disinvestment programme which, in turn, would improve the economic performance of the CPSEs," it added. The survey analysed the data of 11 PSUs that had been divested from 1999-2000 and 2003-04 and compared the data with their peers in the same industry.

"Analysis shows that these privatised CPSEs, on an average, performed better post-privatisation than their peers in terms of their net worth, net profit, return on assets (ROA), return on equity (RoE), gross revenue, net profit margin, sales growth and gross profit per employee," the Survey said.

"More importantly, the ROA and net profit margin turned around from negative to positive, surpassing that of peer firms, which indicates that privatised CPSEs have been able to generate more wealth from the same resources... The analysis clearly affirms privatisation unlocks the potential of CPSEs to create wealth," it added.

Interestingly, according to the government document, the recent approval of strategic disinvestment in Bharat Petroleum Corporation Limited (BPCL) led to an increase in value of shareholders' equity of BPCL by Rs. 33,000 crore compared to its peer Hindustan Petroleum Corporation Limited.

"Aggressive disinvestment, preferably through the route of strategic sale, should be utilised to bring in higher profitability, promote efficiency, increase competitiveness and to promote professionalism in management in CPSEs," stated the Survey.

"The focus of the strategic disinvestment needs to be to exit from non-strategic business and directed towards optimising economic potential of these CPSEs," it added, highlighting there were about 264 CPSEs under 38 Ministries or departments.

Subscribe to The Hindu digital to get unlimited access to Today's paper

Already have an account ? [Sign in](#)

Find mobile-friendly version of articles from the day's newspaper in one easy-to-read list.

Enjoy reading as many articles as you wish without any limitations.

A select list of articles that match your interests and tastes.

Move smoothly between articles as our pages load instantly.

A one-stop-shop for seeing the latest updates, and managing your preferences.

We brief you on the latest and most important developments, three times a day.

*Our Digital Subscription plans do not currently include the e-paper ,crossword, iPhone, iPad mobile applications and print. Our plans enhance your reading experience.

To continue enjoying The Hindu, You can turn off your ad blocker or Subscribe to The Hindu.

[Sign up for a 30 day free trial.](#)

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

CrackIAS