

BUDGET 2024: BUDGET 2024: MODEST DIVESTMENT TARGETS SEEN FOR FY25, MEDIUM TERM

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

The government could set modest [disinvestment](#) targets in budgets not just for FY25 but over the medium term too, as it reviews its sell-off strategy, senior officials said.

The [finance ministry](#) has stepped up focus on bolstering profitability at central public sector enterprises so they can pay regular dividends to shareholders, including the government, one of the officials told ET.

"Money is fungible. Whether it comes from disinvestment or dividend, it will have the same effect on the [budget](#)," he said. Dividend receipts have, so far this fiscal, already breached the annual target, while disinvestment has hit about a fifth of the goal.

Time-consuming process

The Department of Investment and Public Asset Management (DIPAM) has garnered 10,052 crore from disinvestment so far, against the budgeted 51,000 crore.

On the other hand, dividend receipts stood at 43,843 crore, against the FY24 target of 43,000 crore. Last fiscal, DIPAM's dividend receipts had exceeded the government's revised estimate by over 37%, more than offsetting a 29% drop in divestment revenue.

The latest review is spurred by the delay in privatisation bids as the strategic sale process remains time-consuming, and many factors - including market conditions and litigation resorted to by stakeholders - are beyond the government's control, said another official.

In companies where the government can dilute stakes through the offer-for-sale (OFS) route to boost divestment proceeds, volatile market conditions over the past two years - especially with geopolitical tensions and interest rate hikes by advanced economies - have weighed on its efforts.

The government wants to ensure that existing investors in those entities are not shortchanged following the offloading of additional equity shares in the markets during volatile times.

Keeping balance

All these have impacted the disinvestment timelines, as the government seeks to balance its privatisation intent with the imperative of right price for its assets, the official cited said.

"While the privatisation intent is very much there, all factors are looked at while firming up a disinvestment strategy. It's better to have modest annual targets and then exceed them when conditions are favourable, rather than setting high targets and missing them," the official said.

Additionally, "easy" divestment candidates are gone by now, thanks to the sell-off over the years, an official told ET earlier. The government has raked in as much as 4.42 lakh crore in total disinvestment receipts since FY14.

Another official pointed out that in certain cases, DIPAM had to scrap privatisation even after

announcing the winning bidders, to protect the integrity of its sell-off drive.

The privatisation of helicopter service provider Pawan Hans, for instance, was called off in July 2023 after the National Company Law Tribunal (NCLT) passed an adverse order against a member of the successful consortium in another case. Similarly, it cancelled the sale of Central Electronics Ltd in September 2022.

The expected shortfall in the divestment mop-up for FY24 follows the likely spillover of the strategic sale process involving IDBI Bank into the next financial year.

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