

THE DISTRESS SALE OF NATIONAL ASSETS IS UNWISE

Relevant for: Developmental Issues | Topic: Government policies & interventions for development in various Sectors and issues arising out of their design & implementation incl. Housing

The origin of the ongoing crisis in the Indian economy was the fateful [night of November 8, 2016](#). Dr. Manmohan Singh's prescient words in Parliament — that demonetisation would lead to a 2% drop in the GDP — were not heeded by Prime Minister Narendra Modi. On the contrary, a badly designed and hastily implemented [flawed Goods and Services Tax \(GST\)](#) followed, further devastating vast numbers of medium and small enterprises, as well as the vast informal sector of the economy. Together, these twin disasters robbed millions of their livelihoods and plunged the Indian economy into a prolonged slump that predates the COVID-19 pandemic.

Historically, low international oil prices presented the government an opportunity to encourage a consumption-led revival by passing on these benefits to the people. Instead of seizing the opportunity, the Modi government continues to squeeze every family's shrinking budget through excessive petroleum taxes and cesses. In contrast, in 2019, it gave corporates a huge tax cut that did not generate increased investment and succeeded only in burning a 1.45-lakh crore-sized hole in India's Budget.

Petrol at 100 | [Modi blames previous governments for not cutting import dependence](#)

Not content with these self-inflicted wounds, the Modi government is using the economy's collapse since the pandemic to rush headlong into its mission of handing over large portions of India's wealth to its favourite crony capitalists. It has announced its intent to become cash rich by selling the family silver, through hasty [privatisation, of India's public sector undertakings \(PSUs\)](#).

Executed carefully and strategically, disinvestment (which is the sale of a part of the government's shares in PSUs) can generate resources for the government, set the right incentives for their managements, and reward the investing public. In that spirit, in our [2019 Manifesto](#), the Congress party promised a middle path to disinvest from only non-core, non-strategic public sector enterprises.

But the Modi government has explicitly embraced "privatisation" instead of "disinvestment." Its choice of language signals its intent. Unable to manage the nation's finances, unable to inspire trust in the private sector to boost investment, the government has turned to distress sale of our national assets. Will selling assets for short-term gains make up for the long-term loss of public wealth?

Editorial | [Belated, but bold: On Nirmala's disinvestment policy](#)

This fire sale is being justified by citing enhanced efficiency and the generation of funds for the government's welfare programmes. This is a deceptive argument. What we are likely to witness in reality is the privatisation of PSU profits, and the nationalisation of private sector losses. In the garb of privatisation, valuable assets and profit-making companies will be undervalued and sold to cronies who will make a killing. On the other hand, defaulters with huge loan burdens will be bailed out using public funds.

When the earlier A.B. Vajpayee-led avatar of the National Democratic Alliance sold Videsh

Sanchar Nigam Limited (VSNL), it failed to capture its full value, thus short-changing the public. Hotels were disposed of for a song in the name of getting the government out of sectors where it did not belong. If the Modi government persists with its policy, the public surely has a right to demand that it demonstrate transparently and explicitly how it valued our national assets and calculated reserve prices.

Efforts to extract value from the sale of PSUs will also be hurt by the Modi government's lack of credibility. Over the last few years, it has failed to achieve its disinvestment targets. Its few disinvestment "successes" have been no more than getting government-owned entities to purchase other PSUs. Thus, the Life Insurance Corporation (LIC) of India bailed out the Industrial Development Bank of India (IDBI), the Oil and Natural Gas Corporation (ONGC) bailed out Hindustan Petroleum Corporation Limited (HPCL), and so on. What kind of value can the nation expect to receive from this distress sale then?

The Hindu Explains | [How will the new disinvestment policy oversee future of public sector enterprises?](#)

There are also serious long-term consequences that are being ignored. The disinvestment of part of the government's stake in LIC, and its proposed Initial Public Offer (IPO), are suggestive of clearing the decks to privatise the crown jewel of India's insurance sector. But then, will a privatised LIC meet our crucial long-term financing needs for infrastructure projects with long gestation periods?

The Modi government's privatisation policy betrays its disdain for social justice. PSUs have historically played an active role in developing backward regions. Importantly, through reservations, PSUs have ensured high-quality jobs for Dalits, Adivasis and Other Backward Classes. Once PSUs are privatised or disinvested to below 50% government ownership, reservations for these historically marginalised sections will become history.

This government has presided over massive job losses and record unemployment. Yet, it now embraces outright privatisation with complete disregard to how PSU employees will cope with the lay-offs that will inevitably follow.

In the banking sector, this government has presided over an exponential rise in non-performing assets, or NPAs. Gross NPAs under its watch between 2014-15 and 2019-20 were nearly 365% higher than in the last six years of the United Progressive Alliance, i.e., 2008-14. Wilful defaults have also ballooned under the Modi government. Unable to fix the NPA crisis, the government wants to privatise public sector banks. India's experience with Yes Bank and other private sector banks hardly suggests that privatisation will eliminate greed and corruption in banking.

Also read | [India still needs effective public sector banks, insurers: Modi](#)

We also seem to have forgotten that it was the resilience of nationalised banks that helped save us from the worst effects of the global recession in 2008-09. Public sector banks have also been central to expanding financial inclusion to the unbanked in India over the last five decades. Will rural branches that serve a public purpose more than generating profits be ruthlessly shut down by their prospective corporate owners?

Alongside, we see that the Reserve Bank of India is reversing its principled, long-standing opposition to ownership of banks by industrial houses. Such a move will only lead to further concentration of the economy in a few hands, heighten conflict of interest and risk diversion of funds.

As the party that built India's economy on a strong foundation of the public sector and also ushered in liberalisation and the historic reforms of 1991, the Congress party is voicing the demands of the public for transparency, accountability and appropriate valuation. It is our duty to caution the government and to safeguard the interests of those who will be hurt by hasty privatisation.

Many of our PSUs and public sector banks are profitable institutions that aid crucial developmental outcomes. Others require a realignment of incentives or an infusion of capital to effect a profitable turn around. To derive maximum value from PSUs for the exchequer, the government should calibrate an appropriate strategy for each individual case. That requires careful, detailed hard work and a commitment to the government's role as trustee of the nation's assets. Abdicating that responsibility, the Modi government is choosing to offload PSUs and public sector banks wholesale for short term gains. This is wrong and cannot justify the long-term loss of public wealth.

Also read | [Disinvestment will be squeaky clean, says DIPAM Secretary](#)

The rush to privatise PSUs confirms the people's suspicions that the Modi government is merely a faithful broker to a few industrial houses. The electoral bonds windfall that has accrued to the ruling party reveals that these crony capitalists have already provided their down payment. Now, the government is delivering its end of the bargain.

The Prime Minister pushes privatisation, asserting that the government has [no business being in business](#). He needs to be reminded that it is a government that cannot manage the country's finances, that cannot generate jobs, that is unable to ensure inclusive growth, that has to sell the nation's carefully built-up assets to survive — that has no business being in government.

Sonia Gandhi is the President of the Indian National Congress

This story is available exclusively to The Hindu subscribers only.

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

Start your 14 days free trial. [Sign Up](#)

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 and print.

Dear reader,

We have been keeping you up-to-date with information on the developments in India and the world that have a bearing on our health and wellbeing, our lives and livelihoods, during these

difficult times. To enable wide dissemination of news that is in public interest, we have increased the number of articles that can be read free, and extended free trial periods. However, we have a request for those who can afford to subscribe: please do. As we fight disinformation and misinformation, and keep apace with the happenings, we need to commit greater resources to news gathering operations. We promise to deliver quality journalism that stays away from vested interest and political propaganda.

Dear subscriber,

Thank you!

Your support for our journalism is invaluable. It's a support for truth and fairness in journalism. It has helped us keep apace with events and happenings.

The Hindu has always stood for journalism that is in the public interest. At this difficult time, it becomes even more important that we have access to information that has a bearing on our health and well-being, our lives, and livelihoods. As a subscriber, you are not only a beneficiary of our work but also its enabler.

We also reiterate here the promise that our team of reporters, copy editors, fact-checkers, designers, and photographers will deliver quality journalism that stays away from vested interest and political propaganda.

Suresh Nambath

Please enter a valid email address.

You can support quality journalism by turning off ad blocker or purchase a subscription for unlimited access to The Hindu.

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

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com