

20 TRILLION STIMULUS: GOVT TO PRIVATISE PUBLIC SECTOR ENTITIES

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

NEW DELHI: Finance Minister Nirmala Sitharaman on Sunday announced a new public sector enterprise (PSE) policy under which there will at least one such entity in strategic sectors while those in non-strategic sectors will be privatised.

In the fifth and final tranche of announcement of the stimulus and reform measures under the 20 trillion package, Sitharaman said India and the world have changed in the last few decades and the country needs a coherent policy with all sectors are open to private players while PSEs play an important role in defined areas.

Sitharaman said government will soon announce list of strategic sectors requiring presence of PSEs in public interest will be notified. "In strategic sectors, at least one enterprise will remain in the public sector but private sector will also be allowed. In other sectors, PSEs will be privatized," she added. The timing of privatisation of such PSUs will be based on feasibility.

To minimise wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four, she said. "Others will be privatised or merged or brought under holding companies."

This opens up possibility of further consolidation among the 12 public sector banks at present. The government had started the first round of consolidation of Bank of Baroda with Dena and Vijaya Bank in 2018, which was followed by merger of 10 banks into four starting April 1.

A senior official at a state-owned bank said that there are five banks--Bank of Maharashtra, Bank of India, UCO Bank, Indian Overseas Bank and Punjab and Sind Bank--that were not a part of the consolidation plan.

"Looks like the government is keen to continue with its consolidation plan in the banking sector, though there has been no official word on it. Lenders such Bank of India is reasonably big and can absorb smaller or weaker banks," the official said.

Dipti Lavya Swain, corporate M&A lawyer & partner at HSA Advocates, said while the announcements certainly mark the advent of a new disinvestment policy, however, since the disinvestment department is already behind its target, it will be important to see what is the mechanism used under the new privatisation policy and how soon can it be achieved. "What will be strategic and what not, will be a key decision that the government will have to take since there are many sectors where PSEs continue to be financially distressed. The banking sector may see maximum consolidation and mergers with a cap of four PSEs being announced," he added.

[Click here](#) to read the Mint ePaper Livemint.com is now on Telegram. [Join Livemint channel](#) in your Telegram and stay updated

Log in to our website to save your bookmarks. It'll just take a moment.

Your session has expired, please login again.

You are now subscribed to our newsletters. In case you can't find any email from our side, please check the spam folder.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

crackIAS.com