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Extent of diverstiture and performance of Indian Public Sector Enterprises

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ABSTRACT

Public sector enterprises being an instrument for self-reliant economic growth of India in order to develop agriculture and industry, diversify public economy and overcome economic backwardness. Disinvestment has supposed to be the tool in the hands of Government to improve the functioning and profitability of public sector enterprises and also raise the funds to mitigate its fiscal deficits. Regarding utilization of disinvestment proceeds, there has been apprehension about its proper use. In the present study, an attempt has been made to examine the impact of disinvestment on the performance of selected Indian public sector units in which Govt. has undertaken disinvestment. The grouping of enterprises has been done on the basis of extent of divestiture in PSE's. The present study reveals that after having disinvestment in the public sector the contribution of the employees in net and gross profit, and sales and efficiency of the management of these firms in utilizing their assets and resources efficiently has been improved. It has been found that for partly disinvested enterprises, when control still lies government, the results showed mixed results.

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Public sector undertakings in India were viewed as a mechanism for structural transformation of the economy and for growth with equity and social justice. These were also required as private initiative was not forthcoming in vital sectors. Public sector reform has been a critical element in structural adjustment programmes all over the world and was also included in India's reform agenda. Global change in economic and business environment forced the Indian public sector to alter its structure with reference to weeding out excess manpower and disinvestment of equity to the public to suit the competitive environment. Privatization is just opposite situation of nationalization; under process of privatization government sells their equity shares to employees, mutual funds, individual persons and their organizations. Disinvestment is always a part of privatization (Singh, 1986). In its public enterprises policy, the government did not outline the basic principles governing disinvestment. However, in a suo-moto statement laid in both the Houses of Parliament, the government indicated that the disinvestment specially aimed at the modernization and upgradation of public enterprises, creation of new assets, generation of employment, retiring of public debt and creation of disinvestment fund. The main objective of disinvestment is to put national resources and assets to optimal use and in particular to unleash the productive potential inherent in our public sector enterprises.

The very idea of disinvestment implemented in Japanese economy in eighteenth century. In India, the idea of disinvestment came from U.K. (England). The Industrial Policy Statement of 24 July, 1991 envisaged disinvestment of part of the government holdings in the equity share capital in the case of selected public enterprises. Disinvestment was conceived in the context not only the acute financial stringency of the government of India, which had to continually provide budgetary support to loss making units, but also of the failure of public sector as a whole to provide a reasonable rate of return on the investment in 240 undertakings. The process which commenced in 1992 with the selling of equity of selected PSU's has now gained momentum and the companies have been put on sale. The current policy on disinvestment is that the government is prepared to reduce its stake in the non-strategic SOE's even below 26 per cent, if necessary. (Naib, 2004).

The present research is divided into four sections. The present section deals with introduction and following section describes the research methodology of the study. The third section makes the analysis of the data and interpretation thereof and the last section gives the

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