

INTERNATIONAL JOURNAL OF MANAGEMENT (IJM)

ISSN 0976-6502 (Print)

ISSN 0976-6510 (Online)

Volume 5, Issue 4, April (2014), pp. 19-24

© IAEME: www.iaeme.com/ijm.asp

Journal Impact Factor (2014): 7.2230 (Calculated by GISI)

www.jifactor.com



DISINVESTMENT IN INDIA: AN EMPIRICAL STUDY

Mr. Ashish Srivastava

Research Scholar, Department of Accountancy & Law,
Dayalbagh Educational Institute (Deemed University), Dayalbagh, Agra 282 005 (India)

ABSTRACT

Disinvestment is a procedure whereby some parts (beyond 51%) of Public Sector enterprises (PSEs) are sold to private organizations or individuals. However, it is the government and not the Public Sector Units who receive money from disinvestment.

The study has been conducted to achieve two basic objectives i.e.. To assess the disinvestment in last five (5) years, To find out the reasons of failure to achieve disinvestment Targets set by Government of India and to suggest some measures to be helpful in achieving disinvestment targets declared in the budget speech of every year.

For the present study relevant data have been collected from secondary sources like annual reports of various websites of government of india and newspapers. This study concluded that Disinvestment targets are declared every year in budget speech but Government of India does not take any precautionary measures for achieving these targets, it does not frame any policy every year. Therefore, Disinvestment targets can only be met when Government review Disinvestment Policies time to time and Government should reduce Ministerial differences and it should also consider those years in which elections are to be held while deciding Disinvestment Targets.

Key Words: Disinvestment, Public Sector Enterprises, Ministerial Differences.

INTRODUCTION

Disinvestment is most common when a company must raise capital quickly to finance new operations or pay a certain liability, or when it determines that the investment is unlikely to become or remain profitable in the future.

Divestiture, liquidation or sale of a segment of a firm. Disinvestment may occur for a number of reasons including a poor outlook for a particular line of business or a firm's need to raise additional capital for other more promising segments of its business.

Complete takeovers of the public sector enterprises by the private people is called as privatization. So, privatization of a public sector means transfer of its ownership and management to the private sector. A private enterprise is an industry and business which is owned by an individual person or group and not supported financially by the government. The word 'Private' will comprise of private purpose, ownership and control with the same combination of business character and the cost equation in a word 'enterprise' as in a public enterprise. But, the private enterprise will be really business oriented inclined towards earning profits.

Many countries of the world have resorted to this 'Divestment Policy as a means of Privatisation of Public Sector'. In India, a trend is visible in favour of divestment of public sector units in their privatization.

REVIEW OF LITERATURE

Joshi and Little (1994) have tried to estimate the real rates of return to investment in the public and private sectors. Bhaya (1990) studied disinvestment by giving base his findings on the time series data from 1981-82 to 1985-86 published annually for the public and private sector by the survey of industries. Bhaya used three indicators of efficiency (managerial efficiency – things that can be controlled by managers). They are money, workforce and material. On the basis of the evidence available over the period 1981-82 and 1985-86, Bhaya concluded that barring the burden of the fixed capital over which the public sector management has no control and despite higher wages and administered prices over which the management has no control, efficiency in public sector is in no way inferior to the private sector. Jha and Sahni (1992) use Annual Survey of Industries data for the years 1960-61 to 1982-83 for our industries: cement, cotton textiles, electricity, and iron and steel in another study. The latter two industries, they claim are primarily in the public sector while the first two are owned predominantly by private interests. Therefore on every aspect the research has been done but no research is done for analyzing the reasons of failure in setting up targets of disinvestment and its achievements as well. Therefore this study has been conducted.

RESEARCH OBJECTIVES

The present study has been conducted to achieve following objectives:

1. To assess the disinvestment in last five (5) years.
2. To find out reasons of failure to achieve disinvestment Targets set by Government of India.
3. To suggest the measure for achieving disinvestment targets.

RESEARCH METHODOLOGY

For achieving the objectives of the present study, the researcher has selected all those enterprises which were divested from Financial Year 2009-10 to 2012-13 as there was no disinvestment made in the year 2008-09. The data related to the study has been collected from various websites of Government of India like website of Department of disinvestment, website of department of public sector enterprises etc and various research papers published in research journals.

Details of Year wise Disinvestment since 2009-10 to 2012-13

◆ **Disinvestment in 2009-10**

Table-1

S.No.	Name of Enterprise	Mode of Transaction	Transaction Type	% of stake Divested
1	NHPC Ltd	PUBLIC OFFER	INITIAL SALE OF MINORITY SHAREHOLDINGS	4.55
2	OIL INDIA LTD.	CPSE TO CPSE SALE	SALE OF MINORITY SHAREHOLDING	10.00
3	NTPC LTD.	PUBLIC OFFER	SUBSEQUENT SALE OF MINORITY SHAREHOLDING	5.00
4	RURAL ELECTRIFICATION CORP.LTD.	PUBLIC OFFER	SUBSEQUENT SALE OF MINORITY SHAREHOLDING	4.35
5	NMDC LTD.	PUBLIC OFFER	SUBSEQUENT SALE OF MINORITY SHAREHOLDING	8.38

Source: www.bsepsu.com

Findings: In the year 2009-10, only five (5) enterprises were divested out of which three (3) belong to Power and two belong to Oil and Petroleum sector. So the major disinvestment was made in the Power sector in this particular year.

◆ **Disinvestment in 2010-11**

Table-2

S.No.	Name of Enterprise	Mode of Transaction	Transaction Type	% of stake Divested
1	SJVN LTD.	PUBLIC OFFER	INITIAL SALE OF MINORITY SHAREHOLDING	10.03
2	ENGINEERS INDIA LTD.	PUBLIC OFFER	SUBSEQUENT SALE OF MINORITY SHAREHOLDING	10.00
3	COAL INDIA LTD.	PUBLIC OFFER	INITIAL SALE OF MINORITY SHAREHOLDING	10.00
4	POWER GRID CORP.OF INDIA LTD.	PUBLIC OFFER	SUBSEQUENT SALE OF MINORITY SHAREHOLDING	9.09
5	MOIL LTD.	PUBLIC OFFER	INITIAL SALE OF MINORITY SHAREHOLDING	20.00
6	SHIPPING CORP.OF INDIA LTD.	PUBLIC OFFER	SUBSEQUENT SALE OF MINORITY SHAREHOLDING	9.09

Source: www.bsepsu.com

Findings: In this year also out of total six Enterprises majority were from Power sector of India. So the divestment was in Power sector as well as in Oil sector also.

◆ **Public Sector Enterprises Divested in 2011-12**

Table-3

S.No.	Name of Enterprise	Mode of Transaction	Transaction Type	% of stake Divested
1	POWER FINANCE CORP.LTD.	PUBLIC OFFER	SUBSEQUENT SALE OF MINORITY SHAREHOLDING	4.35
2	OIL & NATURAL GAS CORP.LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	4.91
3	NATIONAL BUILDINGS CONSTRUCTION CORP.LTD..	PUBLIC OFFER	INITIAL SALE OF MINORITY SHAREHOLDING	10

Source: www.bsepsu.com

Findings: This was the year in which no particular industry was divested instead three enterprises divested and these were from different sector.

◆ **Public Sector Enterprises Divested in 2012-13**

Table-4

S.No.	Name of Enterprise	Mode of Transaction	Transaction Type	% of stake Divested
1	HINDUSTAN COPPER LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	5.58
2	NMDC LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	10.00
3	OIL INDIA LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	10.00
4	NTPC LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	9.50

5	RASHTRIYA CHEMICALS & FERTILISERS LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	12.50
6	NATIONAL ALUMINIUM CO.LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	6.09
7	STEEL AUTHORITY OF INDIA LTD.	PUBLIC OFFER	OFFER FOR SALE OF SHARES BY PROMOTERS THROUGH STOCK EXCHANGE MECHANISM	5.82

Source: www.bsepsu.com

Findings: Since year 2009-10, this was the year in which more than 6 enterprises were divested and the majority were from Energy sector in india which includes almost all the sectors like electricity, magnese, coal, oil & petroleum also.

DISINVESTMENT TARGETS & ACHIEVEMENTS

Table-5

Year	Target of Disinvestment (in crore)	Actual Receipts (in crore)	Achievement (%)
2008-2009	NO TARGET FIXED	-	NA
2009-2010	25000	4259.90	94.21
2010-2011	40000	22763	56.91
2011-2012	40000	14035	35.09
2012-2013	30000*	23857	79.52
2013-2014	54000**	18321	33.93
2011-2012	40000	14035	35.09

- ***Revised Target: Rs. 24,000 crore**
- **** Revised Target: Rs. 19,027 crore**

Findings: As the table -5 reveals that there were many fluctuations in every year like in the year 2008-09, no target was fixed. Where as in the year target was to achieve Rs. 25000 crore and government could receive only Rs.4259.90 crore. Thereafter again in the year 2010-11 target was Rs. 40000 crore and achieved Rs. 22763 crore. In the years 2012-13 and 2013-14 targets were revised due to possibility of not achieving the fixed targets.

Reasons behind failure of Disinvestment targets achievement

- Unfavorable market conditions.
- Offers made by the government were not attractive for private sector investors.
- Lot of opposition on the valuation process.
- No clear-cut policy on disinvestment.
- Strong opposition from employee and trade unions.
- Lack of transparency in the process.
- Inter ministerial difference

CONCLUSION

The present study concludes that the disinvestment is good for a country's economy as it provides revenue for the government, increases operating and financial performance of enterprises and also restructure those units which are continuously loss making enterprises. But the main problem behind non achievement of disinvestment targets is passive behaviour of government. BJP and Congress both government has included disinvestment part in their manifesto for the Lok Sabha Election 2014. But no government review policies for disinvestment after fixing the targets. So our government should look after it if it wants to achieve its goals and also set targets by keeping in mind various market conditions, elections and should issue policies for it time to time.

Suggestions: From the findings of the present study suggestions are

- ◆ Government should fix disinvestment targets by considering last year targets and current GDP rate.
- ◆ Government should review policy from time to time. At present our government look after these policy after 2 or 3 years. It does not look at it continuously.
- ◆ The process of disinvestment should be transparent so that public or private entities can come to know fair process.
- ◆ The government should fix prices as the the investor or purchaser attract and purchase the stake.

REFERENCES

1. Joshi, V. and I.M.D. Little (1994). *India – Macroeconomics and Political Economy 1964-1991*, New Delhi: Oxford University Press.
2. Joshi, V. and I.M.D. Little (1997). 'India – Reform on Hold' *Asian Development Review*, 15(2): 1-42. www.bsepsu.com.
3. Bhaya, H. (1990): 'Management Efficiency in the Private and Public Sectors in India' in J. Heath (ed.), *Public Enterprise at the Crossroads*, London: Routledge.
4. Centre for monitoring Indian Economy (CMIE): PROWESS, a Corporate database.
5. Jha, R. and B.S. Sahni (1992). 'Measures of Efficiency in Private and Public Sector Industries: The Case of India', *Annals of Public and Cooperative Economics*, 63(3):489-495.
6. www.divest.nic.in.
7. www.bsepsu.com.