

Disinvestment in Public Sector Undertaking

Synopsis: Public Sector Undertakings have been suffering from many serious evils and ills. In most of the cases their performance has been very poor resulting in huge losses. As a reform measure in 1991 their privatization and disinvestment targets could not be achieved and the recommendations of the Disinvestment Commission could not be implemented. On 4th July, 1997 the Union Cabinet approved an autonomy package for 9 high performing units called the navratnas but the Government's half-hearted and piecemeal measures are not likely to yield the desired results. The Disinvestment Commission has urged the Government in its three reports so far submitted, to take prompt decision in the matter. Quick disinvestment and privatization is the only remedy to make these PSUs healthy, viable, competitive, profitable and operationally efficient.

The Public Sector Undertakings (PSUs) have suffered long from government apathy, bureaucratic interference, indecision, wrong priorities and policies, vacant positions at the top for a long time, lack of objectivity and transparency in selecting the personnel etc. Consequently, the nation has paid heavily as many of these units have been running in losses or not giving commensurate returns. There has been total lack of professionalism, accountability and decision-taking. The management do not have any say in policy, planning and implementation. Over-staffing, lack of professional culture and administered price regime have been other serious handicaps. PSUs have helped a lot in building infrastructural facilities in the country and they have been a backbone of our industrial growth and strength but their overall performance has been very poor, their return on huge investment has been very meagre and negligible.

As a part of reform package in 1991 the disinvestment and privatization of PSUs were recommended. It was one of the many confidence building measure. During 1991, India witnessed some very harsh economic realities which included fiscal deficit touching 8.4 per cent of G.D.P, the Balance of Payment crisis, very high inflation rate etc. Consequently, India had to pledge gold worth US \$400 million abroad and depreciate the rupee by 25 per cent in two stages. To correct these deficiencies the reforms became inevitable. Disinvestment of the equity of PSUs was one of the measures of economic reforms initiated then. And the PSU disinvestment was targeted at Rs.2,000 crore but unfortunately only Rs.168 crore could be raised through this process. And it put a question mark on the success of the various reform measures itself.

Now the disinvestment target has been pegged at Rs.4,800 crore for 1997-98. But in the light of the past experience this target does not seem achievable. The Disinvestment Commission, under the Chairmanship of Mr.G.V. Ramakrishna, in its second report presented in April, 1997 recommended the disinvestment of six PSUs which included Bharat Aluminum Company Ltd., Bongaingaon Refinery and Petrochemicals Ltd., HTL Ltd., ITI Ltd., about three months ago, Manganese Ore (India) Ltd., In its first report, about three months ago, it had suggested disinvestment in three public section undertakings.

In its third report, submitted recently (July, 1997) the Commission has recommended autonomy package for nine public sector undertakings. After the announcement of this package, the Chairman of the Commission Mr.Ramakrishna in an interview said, "I sincerely hope that government would also take measures for accountability and set up a pre-investigation board to save the chief executives from vigilance hazards in later years."

The Union Cabinet on 4th July 1997 approved an autonomy package in which the 9 high performing units, were given total freedom in incur capital expenditure, raise resources and enter technological, financial joint ventures. The Navratna PSUs are: Indian Oil Corporation (IOC), Hindustan Petroleum Corporation Ltd. (HPCL), Bharat Petroleum Corporation Ltd. (BPCL), Bharat Heavy Electrical Ltd., (BHEL), Steel Authority of India Ltd, (SAIL), National Thermal Power Corporation (NTPC), Videsh Sanchar Nigam Ltd. (VSNL), and Indian Petrochemicals Ltd., (IPCL).

The Disinvestment Commission Chairman, Mr.Ramakrishna described the autonomy the authority package as a "partial one" and asked the Government "not to deal with the PSU on a piecemeal basis." So far the Commission has recommended the disinvestment in 15 PSUs in its three reports and desires that Government takes speedy decision on its recommendations.

The recent decision of the Government to grant full financial autonomy to nine leading PSUs is a welcome step in regard to corporate governance in government-controlled enterprises. The freedom to the managers augurs well for they will be free to take vital decisions and responsible to turn around the sick and loss-making units and give better performance in others. To make PSUs competitive, viable, profit making and result-oriented such measures were overdue. The government interference, through their nominees, on the boards, was too much and professionalism, has been a big casualty. There were delays, cost and time over-runs and dithering resulting in marginalization of efficiency, work culture, involvement and initiative. Disinvestment and privatization is the only road leading to operational efficiency, profitability, competence and

entrepreneurship, however, not without some bumps and blocks. Administered price regime should also be done away with in regard to oil-sector PSUs.