

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:491
ANSWERED ON:25.11.2005
POLICY FOR DISINVESTMENT
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any concrete policy to disinvest the Government companies;
- (b) if so, the details thereof;
- (c) whether the Government desire to disinvest profit-making companies and navratna companies earlier than loss-making companies; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S. PALANIMANICKAM)

(a)&(b) The National Common Minimum Programme (NCMP) adopted by the Government outlines the policy of the Government with respect to the Public Sector, including disinvestment of Government's equity in Central Public Sector Enterprises (CPSEs). The salient features of the NCMP in this regard are as follows:-

(i) The Government is committed to a strong and effective public sector whose social objectives are met by its commercial functioning. But for this, there is need for selectivity and a strategic focus. The Government is pledged to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. Generally profit-making companies will not be privatised.

(ii) All privatizations will be considered on a transparent and consultative case-by-case basis. The Government will retain existing 'navratna' companies in the public sector while these companies raise resources from the capital market. While every effort will be made to modernize and restructure sick public sector companies and revive sick industry, chronically loss-making companies will either be sold-off, or closed, after all workers have got their legitimate dues and compensation. The Government will induct private industry to turn around companies that have potential for revival.

(iii) The Government believes that privatization should increase competition, not decrease it. It will not support the emergence of any monopoly that only restrict competition. It also believes that there must be a direct link between privatization and social needs – like, for example, the use of privatization revenues for designated social sector schemes. Public sector companies and nationalized banks will be encouraged to enter the capital market to raise resources and offer new investment avenues to retail investors.

(c) &(d) Disinvestment decisions are taken by the Government on a case by case basis in accordance with the policy mentioned above. While chronically loss making companies will either be sold off or closed, small portion of equity in profit making non-navratna public sector enterprises are proposed to be disinvested in order to raise resources for the National Investment Fund.