Public Sector Enterprises were constructed in the Indian Economy during the post independence period with a view to speed up the industrialization of the country, to give added impetus to economic growth and to achieve certain socio-economic goals. The first industrial policy declared on April 6, 1948 by union industry minister Mr. Shyam Prasad Mukherjee established a base of mixed and controlled economy in India and clearly divided the industrial sector into private and public sector.

However, over the period of time it was realized that these enterprises were failing miserably to meet the socio-economic objectives set for them and began imposing burden on budget to meet its investment needs. The reasons assigned to their lack-luster performance were long gestation period, low efficiency and underutilization of installed capacity.

Hence, in 1991 India facing a severe economic crisis such as fiscal deficit and Balance of payment approached IMF for loans and IMF granted ‘structural adjustment loans’ to India. These are the loans which are based on certain conditions attached to it relating to structural changes in the Indian economy. Therefore, the government of India introduced a new era of economic reforms based on these conditions. The new policy of liberalization, privatization and globalization de-emphasized the role of the public sector in the nation’s economy. Market economy started gaining momentum. It was here only that the disinvestment of public sector enterprises was recognized as a proper and effective tool for economic transformation and development. It was also significant for modernization and upgradation
of public sector enterprises, creation of new assets and retiring of public debt.

Disinvestment of public sector enterprises, results in better management of the enterprises, which encourages entrepreneurship and helps to accelerate the pace of economic development has been justified by the present study. To substantiate the findings a case study of Videsh Sanchar Nigam Ltd. has been undertaken, which had become from ‘good to better’ enterprises after disinvestment.

The present study regarding disinvestment of public sector enterprises is designed to analyse the emerging issues in implementing the disinvestment programme in India. An attempt has been made in the present study to evolve future strategies with a view to make disinvestment programme more effective.

It is hoped that the present study would be useful for future scholars for further researches on the subject as all the available and suitable information regarding disinvestment have been studied and collected from government publications, published and unpublished sources, journals and articles by eminent economists.