Chapter - 3

Survey of Literature
In this chapter efforts have been made to study the research work of various scholars on the subject. As far as possible attempt has been made to study a wide range of literature from the refereed journals, books, newspapers and periodicals and business magazines such as the Business Standards and Business Today. Political commentary from various sources including the library of the parliament and other sources have been scanned. The literature so reviewed has been summarised and research gaps have been identified and later on addressed in the methodology section in chapter four.

According to Basu, P.K. (2003) disinvestment became a hallmark of market-oriented reforms in many countries across the globe, especially in those countries where experimentation with socialism and public sector has not yielded it bountiful returns. The public sector enterprises in most of the countries have a substantial share in national saving; investment accounts, balance of payments accounts and government receipts and payment accounts. Thus their performance at a micro or firm level has a significant impact at macro or national level. As per Clark Gordon (1997) the public sector in many countries including India has become an epitome of low profitability, low rate of return, over-employment, unnecessary burden on exchequer and political manipulation. The multi dimensional objectives of public sector give enough room for criticism. Whatever justification is given for the existence of public enterprises, the state of economy and the public sector, colossal loss and resource crunch, call for improvement in their performances.

Privatisation is an idea, like communoalize or socialism. It means the gradual shift of the government from owning and running industries to only regulating them. By another definition privatization means sale through public offer of a part or whole of the capital by government out of its total holding of shares, at a fair and reasonable price. The identical idea is to transfer the control of the govt. companies to the non-govt. management. But privatization of the public enterprise can be no panacea for the economy. According to Ramesh, J. R. (2007), the idea of revitalizing three enterprises on the basis of conventional
criteria such as returns on investment is pointless. At stake are national priorities – social, economic and even political – strategic.

There can be three alternatives before the Government in India on privatization the whole public sector or profit making units or / and loss making units. The first option remains outside the preview of consideration as it defeats the welfare objective of the government. The choice left is between profit making and loss incurring units. Jagdish, P. C. (1997) says that the profit making units call for privatization when the government wants to have more resources by selling away such units. In the cases the loss making units, it is because they became a burden on the budget and ultimately on the economy. Bakhshi, M. (2007), says that in a developing country like India the private sector does not have the capacity to buy the share of public enterprises on large scale. This sector has already taken many mega projects and hence may not be in a position to finance the take over of the public sector projects. It needs to be noted that many of these mega projects are also financed through public sector, financial institutions. Gupta, S.L. (1998), says that a frequent criticism of privatization is that it is merely a give away of public property at free in far below a fare valuation of assets one of the reasons for the low prices public sector companies fetch is the large risk that private investors have to take, besides price controls exercised by the government that can prevent a fair return on capital. Handa, R. (1996), says the opponents to privatization also raise fear about loss of revenue and strategic supplies, as also the survival of uneconomic socially necessary queries.

According to Gangadhar, V. (2007), in developing country like India privatization cannot serve as a remedy for all the ills of public enterprises because they are expected to serve as powerful instruments for achieving social and economic justice. Mere change of ownership from public to private alone does not guarantee efficiency or effectiveness in the production and delivery of public goods and services.

According to Jain, T.K. (2002), economic theory privatization without efficiency gain does not impose a country’s facial stance. This is because when state-owned enterprise is sold at a fair market price the value of sales should non or the equal the net present value or future after tax earnings Bakhshi, M. (2003) says that when a profitable state owned enterprise is privatized, the state obtains sales proceeds but foreign future earnings, the opposite is true.
when a loss-making state owned enterprises is privatized. In either case all that takes place is a trade-off between current and future net proceeds.

In its monthly commentary on Indian eco-condition published in September 2002, it has been observed that the claim of the economic reformer that once public investment especially in industry is withdrawn and industrial development is left to private enterprise, the resource constraint on the government for investment in social sectors would be removed. This is a false claim. It was also argued by them that disinvestment would benefit the mass of the people and make privatization and market drive growth of Indian industry expectable and popular. This has not actually happened. As per Jha S (1984) the disinvestment and privatization drive has certainly and often were allowed diversion of public funds to selected private business corporations. To extract high profits from meager investments and take over off public sector undertakings. The privatization of BSNL to the TATA house is the case in point.

Jenkins, R. (1999), observes that it has been further observed in the aforesaid commentary on the Indian economic conditions, that the original idea of disinvestment to raise revenues for the government for opening on alternative priority area such as education, health, roads and irrigation has also been shelved. After the winding up of the disinvestment commission, which tended to give some importance to enhancing the market value of PSU’s before there privatization and collect larger revenue for the exchequer the disinvestment policy developed novel features and wider dimensions under the NDA government lead by Mr. A.B. Vajpayee. He even tofar in committing himself, in the domestic arena as well as the globally, to the privatization-the globalization policy. And his disinvestment policies did not win for NDA (National Democrat Alliance), popular acceptance. The awareness of the implication and consequences of the so called economic reform did show wide spread anger in India and these economic reforms because most contention issues for political and electoral contention. This contention did exercise dominant influence in the general election and led to the disastrous results for the NDA parties. The Minority Congress Government which initiated in 1991, the privatization-globalization process in India found itself vulnerable in the mid-term of its tenure. The then Prime Minister Mr. P.V. Narasimha Rao realizing the pulse of the common man halted the implementation of market friendly economic reforms for the time being and event week to
populist gestures in order to be able to improve the poor electoral prospects of his party. Like Mr. Vajpayee’s party too was routed in the general election.

It was felt that the entire disinvestment programme and the manner in which it was being implemented at a feverish, break-neck hurry by then disinvestment minister Mr. Arun Shourie was not in the larger national interests and at provoke popular opposition, which was acquiring mass character. Since then the privatization of PSU had become more openly, ideologically inspired rather than based on the criteria of economic efficiency.

Three decades ago for not processing, Indian crude oil brought matters to head on for the contentions issue of the disinvestment of the PSU’s. Mr. George Fernandes, the NDA convener brought the issue of review of the decision not only for the sale of two public sector refineries and their marketing networks, but the entire disinvestment programme as was being implemented by Mr. Arun Shourie. It was further realized that the sale of the govt. equity in PSU’s did not work to yield substantial revenue for the government. The strategic sale of PSU’s to private corporations at negotiated prices caused alarm as it was found that the nation assets were being given away at a throw away pull for the dubious considerations, ideological and economic. The privatization of the PSU’s rightly came under serious question as a way to help private monopolies, Indian and foreign to flourish at the cost of labour and the consumer. Even the Congress Party which initiated the disinvestment process had developed strong reservation on the disinvestment in the case of profit making PSU’s, some of the partners of them ruling NDA government had misgiving about the working the disinvestment ministry. There were also allegations of corruption in selective disinvestment deals with business interest, foreign and Indian and it was argued that the adverse implication of privatization on Indian economy and polity should be entirely examined.

Disinvestment scheme device from time to time to raise substantial revenues for the Govt. by selling the equity PSU’s under the NDA government had obviously lost its charm for the self styled economic reformers in the government.

It appears most of the important economic general opposed the policy of the NDA government on disinvestment, whereas many journals simply pointed out the procedure of disinvestment.

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Public enterprises have served as the backbone of the Indian economy in providing infrastructure facilities, supporting the cause of constitution and trying for a meaningful solution to balance economic and regional growth. Hence, any attempt to structurally adjust them must be the product of substantial thought followed up by a strong action plan.

3.1 Organisation of Survey of Literature:

Attempt has been made to categorize the articles written on specific themes and discuss them at one place. For example the authors who in general have discussed the importance of public sectors in the economy and have argued against disinvestment have been clubbed together. Similarly, those who support disinvestment have been quoted separately. Also, the research work has been placed in chronological order for the ease of following chain of events.

Mukhopadhaya, Debadas (1994) observes that since the privatization has been recently coined there is not a single definition as yet universally accepted by one and all. Interpreted in a narrow sense, the term privatization mainly broadly means a change of ownership from state to the private sector.

The monthly commentary on Indian economic condition in its issues of September 2002, July 2000, October 2002 made severe criticism of the policies on disinvestment under national democratic alliance government and warned further that if the govt. does not change its policies on disinvestment it will face disastrous results in the general elections for the national democratic alliance. The NDA govt. did not read the writing on the wall and proceeded with the disinvestment in the most reckless, irresponsible and dubious manner.


Narendar, Niketan (2004) has supports the idea of the disinvestment but at the same time says that there is very severe criticism of the methods adopted by the NDA Govt. in selling the public sector undertaking on a throw away price Balaji, P. (2002), the approach of most of the cities of disinvestment of public sector undertaking is very cautious and inspired by the patriotic sentiments of throwing away national assets in a distress sale, the role of NDA govt. and Mr. Arun Shourie the Disinvestment Minister has be uniformity criticized in implementing disinvestment policy. He has appealed to the then NDA Govt. and its leaders not to be reckless in pursuing the disinvestment policy and had warned in there articles uniformity that if then NDA Govt. continued with its policy of disinvestment in rash and feverish way it will meet very disastrous results in elections.

Prem Shankar Jha (2005) in his book titled “Economic Reforms in India” discusses the need for privatisation, in a sense taking money out of public sectors and has made a well argued case for the same. Deepak Nayyar (2005) the Vice-Chancellor of Delhi University on in his work titled “Intelligent person of guide to liberalisation” too has warned the policy makers not to go recklessly wit disinvestment and has provided useful insight for the prospective investors factors to be considered while going for investment in the off loaded shares of PSUs. Ribha Mathur (2005) in his work titled “Disinvestment of Public sector enterprises in India-Policies and Challenges” has also made a clear case for disinvestment.
He has provided a brief historical perspective to the public sector presence then provided the reasons for disinvestment. He has critically examined the lessons one should learn from West.

Prakash, Jagdish, Nageshwar Rao and Others (2006) in their work “Administration of Public Enterprises in India” in their book have cautioned the government to go slow with the process and they have to the extent of saying that after all this is not the last government in the country. Roy, R.C. (2006) in his work “State Public Enterprises in India” discusses the reasons for unsuccessful PSUs and has highlighted the policies of government responsible for the failure. Singh, R.K.P (2007) in his work “Organisation and Management of Public Enterprises Published” has also argues for the need of disinvestment. The thesis he built is around profitability of public and private sector and has argued that private sector shall not erode the wealth at all. Anna, K. K. (2007) in her work “Management of Public Sector Enterprises India” has emphasised the need for professional management of public sectors rather than day to day interference of the government. He has in a sense concluded that so long as the bureaucracy does not limit its interference, PSUs functioning shall continue to be affected adversely.

Chandrashekhar, C.P. and Jayoti Ghosh (2006) have criticized the disinvestment policy of the NDA Govt. In their work titled “The Market that failed” they have discussed the reasons as to why the policy of government failed to realise the objective with which PSUs were created.

A highly valuable piece of document that provides comprehensive account of everything one may like to know on the disinvestment is Disinvestment Commission Report. It has several reports running into hundreds of pages. Attempt has been made to summarize all the reports and to provide summary of these reports having a bearing in this thesis.

In the first report of Disinvestment Commission, it had evolved guidelines on modalities of disinvestment on different aspects of the disinvestment process. The objective of evolving these guidelines was to enable consistent application across all PSU’s and also to serve as transparency of the disinvestment process. The Disinvestment Commission submitted its report in April 1997 and approving the first report the government made recommendations, to strengthen PSU’s were appropriate in order to facilitate disinvestment, to protect
employee interest, to broad based ownership and to augment receipts for Govt. The Disinvestment Commission gave specific recommendations on Bharat Aluminium Ltd. (BALCO), Bongaigaon Refinery and Petro-chemicals Ltd. (BRPL)

Disinvestment Commission submitted its subsequent report in May 1997 and observed review of progress in disinvestment. The commission has evolved detailed guidelines on modalities and procedures of disinvestment specific recommendation in regard to 15 PSU’s out of the 50 PSU so far refer to it have been submitted in its three reports. It gave specific recommendations about Container Corporation of India Ltd (CONCOR), Kundremukh Iron Ore Company Ltd. (KIOCL), Mahanagar Telephones Ltd., Oil India Ltd., Oil and Natural Gas Corporation Ltd. (ONGC) and Rail India Technical and Economic Services Ltd. (RITES)

The disinvestment commission submitted its report-IV in August 1997. It approved the I, II and III reports of the disinvestment commission generally and made specific recommendations for Hindustan Copper Ltd. (HCL), Pawan Hans Helicopter Ltd. (PHL), Power Grid Corporation of India Ltd. (Power Grid) and Shipping Corporation of India (SCI) The disinvestment commission in November 1997 submitted its Report-V and has taken note of the progress so far in implementing the recommendations about Engineers India Ltd. (EIL) Engineering Projects (India) Limited (EPIL), Hindustan Prefab Limited (HPL), IBP Company Ltd (IBP), National Thermal Power Corporation (NTPC) and NEPA Limited (NEPA)

Disinvestment commission submitted its report-VI in December 1997 and made specific recommendations about some of the public sector undertakings referred to it.

1) Electronics, Trade and Technology Development Corporation Ltd. (ET & T).
2) Hindustan Vegetable Oils Corporation Ltd. (HVOCL)
3) Hindustan Zinc Ltd. (HZL)
4) Hotel Corporation of India (HCIL)
5) National Hydro-electric Power Corporation Ltd. (NHPC)
6) Pyrites Phosphates and Chemicals Ltd. (PPCCL)
7) Rehabilitation Industries Corporation Ltd. (RICL)
The disinvestment commission submitted its Report-VII in March 1998, in which there has been a change in the government’s stand. In the VII report the recommendations were made with regard to the following PSU’s thus taking the total number of PSU’s dealt with by the commission to 41 out of 43. The remaining two have not be covered in this report. These include:

1) Fertilizers and Chemicals (Travaneore Limited)
2) India Petrochemical Corporation Ltd.
3) National Aluminium Company Ltd.
4) National Fertilizers Ltd.
5) Neyveli Lignite Limited
6) Steel Authority of India Limited
7) Hindustan Latex Limited

In its VIII Report, submitted in August 1998, its specific recommendations were about Air India and Central Electronics Ltd. It is also recommend that priority should be accorded to the performance improvement of CEL to make it independent and commercially viable and recommended the reduction of manpower by introduction of an attractive Voluntarily Retirement Scheme (VRS).

The disinvestment commission submitted its Report IX in March 1999 and made specific recommendation about Hindustan Steel Works Construction Ltd and State Trading Cooperation of India. The commission submitted its X report in June 1999. In its VII report it observed that in 1996-97 government had referred a total of 50 PSUs to the commission. Govt. then withdrew 7 PSUs, effectively leaving 43 PSUs for the commission to examine and give its recommendations. Commission had in VIII report submitted its recommendation in respect of all these 43 PSU’s. The VIII report of the commission was submitted in August 1998. The 10 PSU’s were deferred to the commission in January 1999, and another few in April 1999. Out of these, 5 PSUs were already under reference of BIFR. Thus out of 22 PSU’s referred to the commission in 1998 and 1999, five already stood referred to BIFR. In the tenth report the commission has given its recommendations in respect of 4 PSU’s including ONGC on which the commission had earlier suggested that disinvestment be deferred. It gives specific recommendations about the following PSUs.
The Disinvestment Commission Submitted its Report XI in July 1999 and made specific recommendations about

1) Metallurgical and Engineering Consultants India Ltd. (MECON).
2) The Metal Scrap Corporation Limited (MSTC)
3) Mineral Exploration Corporation Ltd. (MECL)
4) Sponge Iron India Ltd. (SIIL)

The commission had recommended that disinvestment should be deferred in certain PSU’s which are Oil, ONGC, MOIL, NTPC, NHPC, NLC, and Power Grid. The commission had also recommended that the disinvestment be deferred in certain PSU’s wiz SAIL, CEL and PEC pending fulfillment of certain specified conditions. It made specific recommendations about –

1) Bharat Heavy Electricals Ltd. (BHEL)
2) Hindustan Insecticides Limited (HIL)
3) Hindustan Organic Chemicals Limited (HOCL)
4) Rashtriya Chemicals and Fertilizers Limited (RCFL)
5) Rashtriya Ispat Nigam Limited (RINL)

To sum up it is submitted that the reports I to XII are the basic document ion the disinvestment policy in India and all the issues by the governments were considered by seriously and disinvestment commission had examine all the aspects of the disinvestments of public sector undertakings. Later the NDA Govt. did wind up the disinvestment commission because it had become an obstacle in the way of NDA Govt. The NDA government set up a separate ministry of disinvestment, under the leadership of the persons belonging to Bhartiya Janta Party. The first disinvestment minister was Mr. Arun Jaitley and when there was hue and cry about his policies in parliament and outside, he was substituted by the journalist turned politician Mr. Arun Shourie as a disinvestment minister.
His policies were also challenged by NDA convener Mr. Goerge Fernandes and JD(U) leader Mr. Sharad Yadav. There was strong criticism even in the inner coterie of RSS and BJP. RSS openly opposed the sale of National assets. The RSS ideologue Govindacharya disassociated himself publicly with the policies of A.B. Vajpayee government on disinvestment.

The UPA government led by the father of liberalization and disinvestment, Dr Manmohan Singh after enduring power assured the people of India that National Assets will not be sold out in a reckless manner. The disinvestment will continue but due care will be taken to protect the national interest and pride. The Govt. led by the Dr Manmohan Singh has framed a common minimum programme of UPA (United Progressive Alliance) which as but lot of emphasis on the disinvestment of public sector undertaking and has clearly led down that only non-profit making PSU’s may be considered for disinvestment with certain conditions and strict compliance of procedures. We will consider the basic documents of Narsimha Rao govt. which initiated the process of Disinvestment, Common Minimum Programme of United Front Govt. and the CMP of NDA and the recommendations and reports of disinvestment commission and also the common minimum programme of the UPA govt. at appropriate occasion in our thesis.

Coming the news items appeared in various news papers, business times etc, following news items are being considered relevant by the scholar.

Business Line (28 May 2004) The CMP has stated that profit-making public sectors undertakings (PSUs) will “generally” not be privatized and all privatizations “will be considered on a transparent and consultative case-by-case basis.” The Navratnas (IOC, ONGC, HPCL, BPCL, NTPC, BHEL, SAIL etc.) would, in particular, be retained in the Public-Sector fold and no PSU would be privatized if it leads to the emergence of a monopoly or restricts competition. This virtually rules out the sale of companies such as Nalco. Similarly not only public sector insurance companies would be privatized, but also the social obligations imposed by regulatory bodies on private banks and insurance companies “will be monitored and enforced strictly”. Major highlights are as under:

- Economy to grow by at least 7-8 percent annually
- Revenue deficit to be eliminated by 2009
- Cess on all central taxes for promoting universal education
- SEBI to be strengthened
- Privatisation to be on a case-by-case basis
- ‘Generally’ profitable PSUs not to be privatized
- Special scheme to unearth black money and assets to be introduced
- FDI, FII investments to be encouraged
- LIC, GIC to remain public sector entities
- PSU banks to be given full managerial autonomy
- Automatic hire and fire regime ruled out
- Labour Laws and Industrial Dispute Act to be reviewed

Business Standard, New Delhi (28 May 2004) in a write up “Thumbs down for many reforms” it has been summarised that the United Progressive Alliance’s Common Minimum Programme (CMP) has put on the backburner reforms in at least three crucial areas-disinvestment of profit-making public sector undertakings, labour law changes and privatization of power utilities. Their views on various sector are as under.

On Power
- Review Electricity Act
- Deadline for unbundling of SEBs to be extended

On Privatisation
- No to navratnas sell-off
- Revival of sick PSUs

On Employment
- Act to guarantee job for a minimum of 100 days

In other place in the same magazine, it is summarised that the UPA government also laid special emphasis on the public sector by promising to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. For pensioners and senior citizens, the CMP promised higher interest rates
and said that the employees’ provident fund (EPF) interest rate would not be changed without prior consultation and approval of the EPF Board.

The Times of India (28 May 2004) in a caption “Reforms, targets stay on track”, says that the Economic reviews are alive and kicking, that's the central message of the Common Minimum Programme (CMP). We will persist with economic reforms, but reforms with a human face”, as Manmohan Singh summed up the economic policies and programmes. The Left hasn't hi-jacked reforms. In all key areas like fiscal consolidation, taxation, infrastructure, public sector, industry and labour, the CMP pushes liberal policies.

There is greater emphasis on redistributive policies, so that benefits touch all sections of the people. So, the growth target has been kept at 7-8% annually for 10 years. Nobody's talking of double digit growth. Does this point to growth pessimism? No. The PM made it clear that the government will shoot for even higher growth, but not in vacuum. It would device policies and programmes to back it.

The CMP keeps all options open for disinvestment. Profit-making PSUs will not “normally” be privatized, the PM said. But government might privatize even profit-making PSUs in case they drive their profits in monopoly situations but cannot do so in competition with other enterprises. As such, profit-making PSUs will be free to divest in the market as long as their “public sector character”, meaning government control, remains intact. Same would be the case with the nationalized banks. For all other PSUs, the options of privatization or handing over them to private sector on management contract would be freely exercised.

The Tribune, Chandigarh (28 May 2004), on the issue of disinvestment and privatization of the public sector, the drafting skills of CMP’s the authors have ensure that there is room for maneuver. This was evident when the Prime Minister maintained that “normally, profit-making public sector companies” would not be privatized.

The CMP maintains that all “privatization will be considered on a transparent and consultative case by case basis.” It also states that the UPA will retain existing “navratna” companies in the public sector though they would be allowed to raise resource from the capital market. Dr. Singh explained that if a company is making profit because of monopolistic conditions, then disinvestment could not be ruled out.
The Times of India, New Delhi (28 June 2004) in the caption CMP: A Tale of Deletion and Dilution maintains the following.

- Economic growth target of 7-8%
- Legal guarantee for 100 days of employment
- Cess on all central taxes for funding education
- Moderate and stable tax rates
- VAT to be introduced
- Special schemes to unearth black money
- Disinvestment ministry scrapped, will be under finance ministry as a department
- Profit-making PSUs not be privatized but can divest in market; Navratnas to stay government controlled.
- Foreign direct investment to be encouraged in infrastructure, high technology and exports
- Labour laws to be re-examined
- SEBI to be strengthened
- Fill investment to be encouraged, but misuse of tax treaties to be curbed
- Integrated energy policy; energy security to be enhanced.
- A national manufacturing competitiveness council to be set up
- Strengthening public distribution system.
- Review of Electricity act, 2003
- Protect National Interest of Farmers at WTO; play proactive role in G-20
- Trade and investment with China to be enhanced.

The Statesman, New Delhi (4 June 2004) in the caption “More planned but where’s the money” summarises that there could be higher buoyancy in terms of more revenue from taxed but not a huge amount. To cover for the rest of the expenses will be a problem. There is the possibility of reallocations within the current plan which means slashing current projects. There could also be an amount of dovetailing – for example, the people who cook mid day meals could be paid by out of fund under a separate head. The bigger problem is of state finances. The total debt is Rs.55,000 crores and what the government will do to manage this problem, spiraling out of control also has to be seen commission officials said.
The Hindu, Chennai (31 May 2004) under the heading “No Major Policy change Likely in the Disinvestment” says that the “Profit making PSUs will not be privatized, generally”. What is the need for the appendix, ‘generally’? It seems to be a very significant and late addition. Again, what is meant by privatization? A PSU can become a private company only if the government disinvests more than 50 percent of its holdings or hands over administrative control to a private group. If less than 50 percent of the holdings are given away and a nominal administrative control is retained, it cannot be called privatization. So, massive disinvestment, that has come to be termed as selling family silver, can continue.

Selling family silver is in itself not bad. It can be a good proposition if the cash received from sale is used for generating more wealth. Take the case of LIC of India. It has a huge volume of hidden, idle wealth like family silver. It can be utilized to generate more than wealth for the nation. This idle wealth, known as the embedded value, is the discounted value of future profit flow. This year, the Government will be getting Rs.500 crores as dividend and this will be increasing by not less than 10 percent each year. If 20 percent of the Government’s holding in the LIC is offered to the general public, the money raised can not only help the corporation in creating an explicit reserve, but also enable the government to have ready access to resources at reasonable cost.

The Economic Times, New Delhi (29 May 2005) in the caption “States go easy, you’ve less debt burden” says that a fresh package to ease the debit burden of states is on the cards. The common minimum programme (CMP) of the United Progressive Alliance (UPA) has made a commitment to improve the fiscal health of states by reducing their debt burden, lowering the interest on loans and enhancing the states’ share in the divisible pool taxes. Fiscal consolidation figures as an important agenda in the CMP given the strength of the coalition partners in the Congress led government.

Business Standard, New Delhi (7th June 2004) in the caption “Long on Farm sector, short on PDS reforms” mentions that the Common Minimum Programme (CMP) of the United Progressive Alliance (UPA) promises protection to farmers against imports and a jump in public investment on agriculture and irrigation. But it does not propose any radical reforms in the public distribution system, evoking some adverse comments from the Left parties, which are supporting the government from outside.
The Hindu Business Line of 8 June 2004 quotes President’s Kalam’s Speech “Lest there should be any doubt about how this going to be accomplished, the government reiterates its commitment to eliminating the revenue deficit of the Central Government by 2009 so as to release more resources for investment in social and physical infrastructure. “Subsidies will be targeted sharply at the poor and needy. A detailed road map will be prepared for this purpose”.

The Government need not waste time in preparing the roadmap on this as its present Finance Minister, during his pervious tenure in the North Block, commissioned a detailed study on merit and non-merit subsidies, which must perforce be dusted off from the shelf for focused action sooner rather than later.

The Hindu Business Line in its 8 June 2005 issue on disinvestment mentions that the UPA government aid considers privatization on a case-by-case basis and developed full managerial and commercial autonomy to successful profit-making companies operating in a competitive milieu. It further went on to add that public banks would be encouraged and nationalized the capital market to raised resources and offer new investment avenues to retails investors.

Former disinvestment Minister Arun Shourie told Business Line in the Central Hall of Parliament, “As days pass by, the statement of the Government on Privatisation and disinvestment come resemble more and more exactly what was being done by the Vajpayee Government and this is to be expected. I have long argued that there is a consensus in practice and these changing statements make that very clear every day.”

In sum, the new Government’s attempt to balance reforms with human face would compel it not to jettison well-tested ideas it practiced in power during the Narsimha Rao Government, which it accused the successive governments to have hijacked for electoral gains. The cycle has come a full circle. Notwithstanding the jibes and protests from the Left parties, some of the opposition leaders in Parliament said.

Hindustan Times, New Delhi in its report dated 2 June 2006 mentions that "We’re not against disinvestment as such. But we believe it should be properly prioritized and carried out by the finance ministry after consultations with the concerned administrative ministries in a transparent manner," the SJM leaders said. Also observing that the Left had got the
largest number of MPs ever in the recently concluded Lok Sabha elections, Rao hoped they fully realised the responsibility the people had entrusted them with.

Business Standard, New Delhi in its editorial dated 22 June 2005 says that "Generally' profit-making, public sector companies will not be privatised. That pretty much terminates existing policies for disinvestment / privatisation. The capital market has certainly taken that view and hugely reduced stock valuations of PSUs. Corridor gossip confirms serious inactivity in the Department of Disinvestment. As for loss making enterprises, the chances of successful sales by government are next to nil. Who will have the courage to set reserve prices low enough total low successful transactions?

The question remains, "Who will bid for the PSUs which are loss- making?" It is even more intriguing that the CMP is defining the target units for privatisation as those who have settled their dues to labour. This will itself mean a burden on the fiscal before even starting to privatise. It must be conceded that the door is kept open for the "navaratna" PSUs of this category raising funds from the capital market, presumably through equity offerings.

In The Tribune, Chandigarh, dated 29 May 2005, it is argued that while in opposition, the Congress had opposed the sell off of oil PSUs only. Now it talks of granting managerial autonomy to state enterprises. Disinvestment policy stays, privatisation is out. It had backed the passing of the Electricity Act and Congress governments in states have been pursuing power reforms in accordance with the party’s economic agenda. There is an about-turn in Andhra Pradesh where the Congress government has announced free power for farmers. The Punjab Government too is keenly awaiting the green signal. The party’s Political compulsions are understandable.

In The Hindu, Chennai, dated 31 May 2004, in a caption “Good intentions by themselves will not help’ it has been said that while focusing on growth some critical issues of economic policy surface. Policies in the past depended heavily on disinvestments FDI service exports. These three areas have become areas of intense scrutiny in the new policy environment. Disinvestments as a means of resource mobilisation cannot be relied upon significantly. The tempo of FDI, especially financial capital inflows, is likely to come down. Business process outsourcing and manpower exports, other things being equal are likely to be a major reliable source in the coming few years.
A better approach will be to divest shares in PSU to the general public and allow these companies to become large publicly held companies, with major shareholdings by banks, insurance companies, FIIs and mutual funds. This will also allow them to have managerial autonomy. Allowing them to remain in the public sector probably destines a number of them to a slow death. Governments usually promise autonomy but in practice in India they remain handmaidens of the political bureaucratic nexus. There is no particular reason to believe that this time it will be different, except perhaps for the new guiding light in the form of the Prime Minister.

Looking at the views expressed by the representatives of the industry is also of prime importance. The officials are the nerve of the industry and have wealth of experience with them. Some of their comments are in order and are given below.

CII president Anand Mahindra said that the CMP seeks to address the concerns of all sections of society. He welcomed the emphasis on economic growth and reforms. Mahindra said the agenda in the CMP would contribute to economic growth and ensure that growth percolates to all sections of society. The UPA government's pledge to enact a National Employment Guarantee Act as well as commitment to step up public investment in rural infrastructure and irrigation should benefit the rural economy, and create employment opportunities.

CII was happy about the new government's commitment to eliminating the revenue deficit by 2009 and to the early introduction of VAT. The CMP's promise of flexible labour laws and the pledge to protect the legitimate interests of Indian industry and agriculture at the WTO forum is a positive approach, he said.

The Federation of Indian Chambers of Commerce and Industry (FICCI) said the CMP tie provide a clear roadmap for action for the new government and urged the government to implement the individual elements of the CMP in a time bound-manner. FICCI added that commitment of fiscal correction, reforms of the PSUs, speedy implementation of VAT and review of labour laws are commendable. The Electricity Act had encouraged private sector players by raising their confidence towards increasing investments. So FICCI asked the government to exercise caution while reviewing the Electricity Act.
Other chambers like ASSOCHAM and PHDCCI also welcomed the CMP. MK Sanghi, president of ASSOCHAM, welcomed the CMP and said, "The government should be concentrating on developing world-class infrastructure that can attract fresh investments and connect rural India with urban cities enhancing the economic powers of the rural masses.

Sanghi suggested that all the viable public sector undertakings should be given autonomy to facilitate them to take commercially viable decision and suggested the government to get rid of the loss-making units.

PHDCCI president Ravi Wig also welcomed government's resolve to improve social infrastructure and raise employment.

In the popular national daily, Business Line October 14, 2003, the imbroglio over the attempts to privatise HPCL/BPCL, and now bringing up the issue of splitting up IOC could actually jeopardize the entire divestment programme of the Union Government, says Paranjoy Guha Thakurta, who looks at the oil PSUs privatisation that threatens to snowball into a major crisis within the NDA Government.

The controversy surrounding the Disinvestment Minister, Mr Arun Shourie's intransigent position on privatising public sector petroleum companies, especially Indian Oil Corporation and Hindustan Petroleum Corporation Limited, threatens to snowball into a major crisis within the National Democratic Alliance Government. What seems worse for Mr Shourie and his mentors, including the Prime Minister, Mr Atal Bihari Vajpayee, and the Deputy Prime Minister, Mr L. K. Advani, is that the imbroglio over the attempts to privatise these two companies could actually jeopardise the entire divestment programme of the Union Government.

In other words, Mr Shourie may well end up cutting his nose to spite his face. By his actions, he has not merely antagonised his political opponents but also sharpened the criticism of those within the Bharatiya Janata Party-led NDA Government who had strong reservations about the methodology deployed by him to privatise some of the largest, best-managed and most"" profitable public sector undertakings. One would not be exaggerating if one argued that the one individual who contends that he is among the biggest votaries of privatisation has willy-nilly become its single biggest enemy.
After the September 16 judgment of the Supreme Court restraining the Union Government from privatizing HPCL without obtaining Parliament's approval, the Disinvestment Minister disingenuously claimed the entire privatisation programme had been derailed. His own ministerial colleague, the Petroleum and Natural Gas Minister, Mr Ram Naik, however, hailed the judgement as a "historic" one. Thereafter, on October 3, following a meeting of the Cabinet Committee on Disinvestment, Mr Shourie contended that the Government would seriously consider a proposal to split the country's largest company, Indian Oil Corporation, into smaller entities before privatising its marketing arm. Newspapers quoted Mr. Naik as saying that something quite different had transpired during the CCD meeting.

It is hardly a secret that the Petroleum Minister had been opposed to the privatisation of HPCL but had been overruled by his Cabinet colleagues at the December 9, 2002 CCD meeting. Mr Shourie had wanted both HPCL and Bharat Petruleum Corporation Limited to be privatised. However, at that meeting, it was decided that while the larger HPCL would be privatised, the shares of the smaller BPCL would be divested to the public. If the Cabinet eventually decides to privatise IOC and there is no guarantee that it will - it would go back on its own decision not to privatise IOC as well as two other Navratnas (nine jewels) the oil PSUs Oil and Natural Gas Corporation and GAIL Limited.

IOC is India's largest petroleum refining and marketing company with a daily turnover in excess of Rs 320 crore. The management had last year lodged a strong protest when it was disallowed by the Government from bidding for the shares of its smaller sisters, HPCL and BPCL. The former IOC Chairman and Managing Director, Mr M. A. Pathan, had argued that it would be clearly discriminatory on the part of the government if a private corporate group like Reliance was allowed to bid for Indian Petrochemicals Corporation Limited while denying IOC the opportunity to bid for HPCL and BPCL. The Government allowed IOC to bid for IPCL - managerial control over which was acquired by the Reliance group in May 2002 - but subsequently barred one PSU from bidding for the shares of another on the ground this did not result in "genuine" privatisation. (IOC had earlier successfully bid for managerial control over IBP Limited, formerly Indo-Burma Petroleum)
After the Government allowed the Reliance group to control IPCI thereby enabling the combine to hog a more than three fourths share of the country's market for a wide variety of petrochemical products, Mr Shourie's privatisation methodology started encountering concerted opposition from within the BJP and the NDA. It was not merely Mr Naik (whose vast empire as Petroleum Minister was sought to be shrunk) who opposed him but the Defense Minister and NDA convener, Mr George Fernandes, as well who wrote to the Prime Minister in protest. What is especially curious is that an attempt should now be made to split IOC, the only Indian company in the Fortune 500 list, at a time when petroleum companies all over the world over are coming together to become bigger and bigger.

Unlike HPCL and BPCL, both of which were nationalised in the 1970s after taking over the assets of foreign oil companies, there is no legal bar on the government privatising all but a handful of the 236 Central PSUs in India (including the 130 profit-making ones such as IOC, ONGC and GAIL). Yet, the reactions of Mr. Advani and Mr. Shourie make it amply clear that the Government did not believe it would be able to muster the support of a majority of the members of both Houses of Parliament to change the law of the land. This not only indicated that there were sharp differences of opinion on the subject within the NDA but also that there was no political consensus cutting across party lines on the modalities of privatising profit-making PSUs.

Instead of rushing headlong on to a confrontation with the Judiciary, the Government decided that it would merely ask the Supreme Court Bench that passed the order on HPCL to clarify its judgment. The apex court made it dear, that it was not commenting on the government's policy of privatisation but merely asking the Executive to go to the legislature to change the statute before privatising HPCL.

The former Disinvestment Commission Chairman, Mr. G. V. Ramakrishna. has commented that Mr. Shourie should not have acted in "unseemly haste" by asking private groups such as Reliance and Shell to proceed with due diligence of HPCL even as the Supreme Court had reserved its judgment after hearing arguments on both sides.

It is not merely this correspondent but many others who have argued that Mr. Shourie has wrongly choosen to focus his attention and energies on a few high-profile, well-performing
PSUs to the neglect of others that cry out for immediate attention - particularly chronic loss-making companies such as National Textiles Corporation. As T. T. Ram Mohan, professor at the Indian Institute of Management, Ahmedabad, aptly remarked: "Mr. Shourie has erred not merely in his choice of firms but in his insistence on a particular method, strategic sale (that entails handing over managerial control of a public sector company to private promoters) as the norm for disinvestment".

IOC and HPCL share around three-fourths of the country’s market for petroleum products. The IOC management recently offered to pick up the government's stake in HPCL for roughly Rs 10,000 crore - to make up the shortfall in the budgeted receipts from divestment this financial year - adding a new twist to the episode.

The Reliance and Shell groups are, among others, keen on acquiring the marketing and distribution network of either HPCL or IOC. Whereas Reliance has set up one of the largest petroleum refineries in India and Asia, it so far does not possess commensurate marketing and distribution facilities. On the other hand, the multinational Shell is hopeful of distributing imported petroleum products. It would be expensive for both these groups to set up a marketing infrastructure on their own. And as Mr Ramakrishna points out, given that many retail outlets of IOC and HPCL are at prime locations, a private group may not be able to purchase such property for love or for money. That is why controlling HPCL or a part of IOC would make all the difference for Reliance or Shell. That is also the real reason why Mr. Shourie's policies are as contentious as they are.

3.2 Political Issues and Disinvestment – An Introduction

No other area of economic reforms generated much political controversy in the second-generation reforms than the disinvestment of public sector units. Whatever was the economic rationality behind such reform processes it generated lot of political debates both at the intra-party and inter-party levels. At the intra-party level, it rekindled a rift between the advocates of market reforms and the left-of-centre approach within the Congress party over the pros and cons of the disinvestment policy. On the intra-party front, it was an arena of confrontation between the ruling BJP and the opposition parties especially, the Congress party. Though, Congress was the initiator of the public sector reforms in the Narasimha
Rao regime, it was quite disturbed over the management of public sector under the BJP regime.

The BJP after coming into power carried on the economic reforms initiated by the Congress as it had shifted from resisting globalisation to accommodating it through critical collaboration. The Vajpayee government's commitment to economic reforms was more evident in the budget 2000-2001 which called for accelerating the 'second generation economic reforms'. In the budget the government reiterated the restructuring, and reviving of potentially viable Public Sector Undertakings (PSUs), closing down of PSUs which cannot be revised, bringing down government equity in all non-strategic PSUs to 26 per cent or lower if necessary and for fully protecting the interests of workers. By initiating these reforms, the BJP government countered the Congress who claimed to be the initiator of reform process in India. Moreover, it proved that there was not much distinction between the BJP's governance of the economy and that of the previous Congress party government.

The BJP regime saw the 'privatisation' of public sector which was replaced by a more fashionable word, 'disinvestment' of public sector. The government in a further boost to the disinvestment process set up a new department for disinvestment in March 2000 to establish a systematic policy approach to disinvestment. The rationale behind the policy was that money raised from the sale, of government equity could be used for social security measures like health care, education, rural development, poverty alleviation or even repaying the public debts. But, in the initial phase of disinvestment, the government concentrated on the disinvestment of loss making PSUs, which in the course of time' turned towards the profit making PSUs on the ground that private buyers will not be interested in picking up loss-making units. Moreover, the government handed over the equities to multinationals at much below the market value.

3.2.1 Political and Historical Perspective of Disinvestment

The policy of disinvestment has evolved over a period of time - beginning from the restructuring of PSUs under the Rajiv Gandhi regime - though it did not gain a wider currency as the term 'disinvestment' in the present sense. In the mid eighties there
aroused criticisms over the functioning of the PSUs. Because the PSUs were bureaucratically managed many of them incurred losses the year after. It was argued that the state should not be called upon to meet the losses of these enterprises out of tax payers money. The rationale of this view was that since the state had to invest more critical areas, it had to withdraw from, funding the loss making PSUs. Taking this view into account, Rajiv Gandhi in his reform measures took certain steps to restructure the moribund PSUs. The Prime Minister was critical of the inefficient public enterprises for gross overstaffing and low productivity, political interference, non-commercial styles of management and economic pricing policies. His objective has been to try to engender greater efficiency through free use of imported technology, especially advanced electronics, the removal of controls, increased competition and improved management in public sector.

Based on the report of the Arjun Sengupta Committee on Review Policy for Public Enterprises appointed by Indira Gandhi, the Rajiv Gandhi government initiated certain reform measures in the public sector. The report called for redefining the government public enterprises relations and identified certain core sectors like agriculture, irrigation, railways etc. in national planning. The government strategically denounced the idea of the public sector's monopoly and opened up to high technology and foreign capital. The government's role was restricted as it was primarily concerned with overall strategic planning and policy, rather than with the day to day functioning of public enterprises. As a first step towards liberalization, the government removed 25 industries from its list of those that required a 'license prior to entry, decontrolled some prices and certain sectors which were previously reserved for state control were opened competition. The share of public sector investment on total planned outlays declined from 53 per cent in the Sixth Plan to 48 per cent in the Seventh Plan.

V. Krishnamurthy made suggestions for public sector and based on this, the government issued a white paper on public sector suggesting the privatisation or closure of public sector undertaking which were making losses recurrently. But the stiff criticism from both within the party and the opposition, the trade unions' campaign to 'save the public sector' and the fading image of the government in the corruption scandals forced the government to not implement its recommendation. It was stated that the politically dam-
aged Rajiv Gandhi was not eager to provide further ammunition to the opposition to attack him, in this instance it was the alleged betrayal of socialism and the Nehruvian (policies of Mr. Jawahar Lal Nehru, India’s first Prime Minister) legacy.

Politically, the public sector reforms evoked concern within the Congress party. There were wider apprehensions about the total abandonment of the party's longstanding policy towards the public sector which was vital for 'the commanding heights of the economy. Apprehensions were more explicated among the Members of Parliament that it was a deviation from the party's economic policy. In the midst of the augmenting criticism against the public sector reforms and the attempt to revive the party's commitment to the public sector, a two-day seminar was organized by the Economic Advisory Cell of the AICC (I) on 24-25 April, 1986 in New Delhi on "Public Sector on Indian Economy: Problems and Prospects". The late Prime Minister, Rajiv Gandhi in his capacity as the Congress president reiterated the party's commitment to the public sector. He said:

"......The growth and development of the public sector has been a corner stone of the Congress party’s economic policy. The public sector has come to occupy a crucial position in the economy, and has played a vital role in the building up of the infrastructure and in the overall industrial development of various regions, particularly the backward areas. Our large and diversified industrial structure today bears a testimony to this fact".

During the last phase of his term, Rajiv Gandhi reiterated that the public sector must give the lead. While addressing the Chief Executives of Public Sector units in New Delhi on 14 January 1988 the Prime Minister urged the public sector to give top priority to generating internal resources and not to expect any budgetary support.

'According to him, the public sector has had and must -continue to have strategic role in development. It had to improve its performance and act as the engine of our self-reliance and economic independence." Swamy (1994) aptly describes the changing role of the state in relation to the weakening role of the PSUs. According to him, 'until 1980, it pursued a set of policies that created a favourable environment for the expansion of public sector. Thereafter, it gradually detached public enterprises from budgetary support, leaving them
to finance their expansion through funds raised from the capital market as also opening their ‘reserved’ sectors to private enterprises’.

3.2.2 Disinvestment under Sri Narasimha Rao Period

In the economic reform measures of Narasimha Rao government public sector reform constituted one of the important issue areas. Mainly two factors influenced the government's reforms in public sector. Firstly, the collapse of the Soviet Union and the setback of communist regimes in East European countries overshadowed the significance of PSUs in the economic development. Secondly, the altering role of the State and market in economic development reversed the role of the public and private sectors. Privatisation and deregulation, the twin components of the economic reforms affected the dominant role of the public sectors. The government was quite critical of the performance of PSUs in the reform process. Its argument was that though public sectors has contributed significantly to the diversification of India's industrial structure, its contribution in terms of generating internal resources for further expansion had fallen short of expectations, and its inability to do so had become a major constraint on economic growth. According to government sources, the performance of the public sector deteriorated sharply in 1990-91 when the net profit (after tax) of all non-departmental central public sector enterprises declined to Rs. 2368 crore from the level of Rs. 3789 crore reached in 1989-90. The poor performance continued in 1991-92. The government's view was that not only the budgetary support to public sector enterprises should be scales down and thereby financial discipline maintained in their operation but it should also be exposed to competition.

In 1991-92 the government undertook a limited disinvestment of a part of the public sector equity through public institutions and mutual funds in order to raise non-inflationary finance for development. The objective of disinvestment was stated to be providing further market discipline to the performance of public enterprises. It has to be remembered that in the reform budget of 1991, the government proclaimed that 'in order to raise resources, encourage wider public participation and promote greater account ability, up to 20 per cent of government equity in selected public sector undertakings would be offered to mutual funds and investment institutions, in the public sector, as also to workers in these firms. It hoped that such a limited disinvestment would bring greater public accountability and help
to create a new culture in their 'Working and thereby improve efficiency. Keeping this view, the government experimented limited disinvestment in certain public sector enterprises. For example, some of the profit making public enterprises such as National Aluminium Company Limited (NAICOL), Hindustan Zinc Limited (HZL), Indian Petrochemicals Corporation Limited (IPCL), Bharat Heavy Electricals limited (BHEL), Hindustan Machine Tools (HMT), and National Thermal Power Corporation Limited (NTPC) sold about 20 percent of their equity holdings.

Politically the public sector reforms generated an intra-party debate on the approach of the Congress as most of the provisions in the reforms seemed to be antithetical to the interest of the party. For instance, the replacement of Industrial Disputes Act by a new industrial relation act weakened organised workers. Secondly, the policy of denationalisation resulted in the loss of much of the concessions which the employees enjoyed for a long time. Since these sections constituted the important political constituencies of the Congress, the public sector reforms adversely affected its support base among them. It has to be seen that even with the pressure from the international financial agencies for more public sector reforms, the presence of organised labour in India was a constraint to public sector reform due to two reasons: existence of labour laws and the importance of labour unions as political constituencies. In other words, 'while external pressures served primarily as an impetus for the public sector reform, internal economic and political factors have functioned primarily as constraints to reforms. The Congress plenary session in Tirupati in 1992 saw an ideological debate on the issue of public sector reforms. The advocates of the left-of-centre approach charged that the reforms diluted the party's commitment to the public sector in its economic policy and strategy. But the advocates of reforms tried to legitimise it with the election manifesto for the year 1991. According to them the party in its manifesto while affirming its faith in the role of public sector hinted at certain reforms. The manifesto emphasised that 'the public sector is crucial to the growth of the Indian economy, industry and employment. However, over a period of time some public sector companies have become lethargic, inefficient and expensive. This situation needs to be set right. However, at the end of the session a consensus was arrived at that the restructuring of PSUs intended to restore its heath and profitability.
3.2.3. Disinvestment under the United Front Government:

In the mid nineties when the Congress space in Indian politics was shrinking, new coalitions were formed at the central level. On 1 June, 1996 the United Front (UF) and the Left Front coalition government under the leadership of H.D. Deve Gowda came into power with the outside support of the Congress party. The economic management under the UF government generated concerns among the advocates of economic reforms. This was because the sustainability of the government depended on the outside support of the pro-reform Congress and the critique of the reforms, the left parties, especially the Communist Party of India (Marxist)

The restructuring of the public sector was one of the key areas of reform of the UF government. As a new direction on the reforms in public sector on 23 August, 1996, the United Front government set up a five-member disinvestment commission in pursuance of a promise made in the CMP. It was set up for a period of three years with an objective to determine the extent of disinvestment in each of the PSUs, to prioritise the PSUs referred to it by the Core Group in terms of the overall disinvestment programme, etc. Its major objectives were; using disinvested funds for social and infrastructural purposes, increasing efficiency and productivity of enterprises by exposing them to the discipline of the market and reducing political interference in running these enterprises and lending professionalism. It was an advisory body to the government in matters relating to the final decision on the companies to be disinvested and also the mode of disinvestment. The privatisation of public enterprises had been limited to partial disinvestment with the government retaining control. In a significant move the government referred 40 PSUs to the commission for advice.

3.2.4. Disinvestment under the BJP Government:

The post Rao phase saw the emergence of BJP from the role of the main opposition party to the ruling party at the Centre. BJP formed the government for a short span of 13 days after the 1996 election and doubts arose about the continuation of the economic policies initiated by the previous Congress government. It has to be remembered that the BJP, when it was in opposition, criticised the Rao government on many policy initiatives related to economic reforms. On 17 May, 1996 a day after the Vajpayee government assumed power, the new
Finance Minister Jaswant Singh stated that Rao's economic reform was safe if the BJP was allowed to continue in power beyond 31 May (the deadline for proving its majority in the House). He not only endorsed the previous government's reforms, but also promised to accelerate them and create conditions for easier inflow of foreign investment. He stated that there would be a continuity of policy and that all the contractual obligations of the previous government would be honoured. According to him, 'swadeshi' (country made) was not an anti-reform word. His view on foreign investment was that India would remain the favourite destination for investment.

In fact, the BJP's perception on economic reforms was similar to that of the Congress in a way. For instance, reflecting the Congress' approach, the Industry Minister added, 'We have reached a stage where we cannot go on subsidising the PSUs as we have other pressing areas like social sectors including health, education and sanitation where we will have to spend more ... the public sectors will have to learn to survive on their own'.

The first budget (1998-99) of the second Vajpayee government was presented on 1 June, 1998 by the Finance Minister, Yashwant Sinha. The budget decided to bring down its share holding in the PSUs to 26 per cent in most of the cases. At the same time, it clarified that the government would retain majority holding in PSUs involving strategic considerations and the interests of the workers would be protected in all cases. In order to expedite the disinvestment process, the government had decided to disinvest specified portions of equity from Indian Oil Corporation (IOC), Gas Authority of India Limited (GAIL), Videsh Sanchar Nigam Limited (VSNL) and Container Corporation of India (CONCOR).

The BJP government intensified the economic reforms at various sectors. The 'privatisation of the public sector' was replaced by a more fashionable phrase 'disinvestment of public sector'. One of the main strategies of the budget 1999-2000, as pointed out by the Finance Minister, was to 'deepen and widen economic reforms in all major sectors and accelerate internal liberalisation to release productive energies, creativity of farmers, manufactures, trade and service providers'. The government's strategy towards public sector enterprises, as claimed by the government, 'enshrink a judicious mix of strengthening strategic units, privatising non-strategic ones through
gradual disinvestments or strategic sale and devising viable rehabilitation strategies for weaker units.

In a drastic move in public sector policy, on 16 March, 1999 the government classified the public sector enterprises into strategic and non-strategic areas for the purpose of disinvestment. The strategic public sector enterprises included, the areas of defense and communication and allied items of defense equipment, defense aircrafts and warships, atomic energy and railway transport. All other RSUs were considered non-strategic. The government decided to reduce its stake to 26 per cent in the non-strategic areas. It was decided to restructure and revive potentially viable PSUs and to close down those PSUs which could not be revived.

The period of the BJP rule saw a receding ideological opposition to economic liberalisation between the ruling party (the BJP) and the main opposition party, the Congress. The Congress raised its resentment over the public sector reforms and it was seen that it came out of its political compulsion rather than political conviction.

The important milestones in the approach of the Congress on the disinvestment policy were the Economic Introspection, Group (EIG) headed by Sri Pranab Mukherjee and the Bangalore plenary session of 2001. Both proclaimed at the party was committed to the strengthening of the PSUs and pronounced the crusade against the disinvestment policy of the government. The EIG emphasized that the party had 'objected to the present ideological assault on the public sector'. It did not to see privatisation as a panacea for the crisis in the PSUs and pronounced that the disinvestment policy must be put in place with the approval of Parliament before pursuing the kind of massive across-the-board operations as posed by the present government. The party claimed that the public sector that had built up India's Industrial and technological muscle, developed the backward areas, promoted social justice, and made available job reservations for the disadvantaged communities, was being subjected to an ideological assault. While opposing the government's approach to disinvestment of the profit making PSUs, the party viewed that public enterprises that were making healthy profits on a continuous basis in a competitive environment should be provided opportunities for further growth. On the other hand, it favoured the closing down of chronic, non-profit making PSUs in a humane manner by protecting the interests of
workers. Jairam Ramesh further clarified that the party was opposed to arbitrary disinvestment, especially to meet the fiscal deficit. It opposed the same criterion for disinvestment being applied to both profit and loss making PSUs. The Navratnas, which later became Dashavatams - Indian Oil Corporation (IOC), Bharat Petroleum Corporation limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Oil and Natural Gas Commission (ONGC), Gas Authority of India Limited (GAIL), Mahanagar Telecom Nigam Limited (MTNL), Videsh Sanchar Nigam Limited (VSNL), Bharat Heavy Electrical Limited (BHEL), National Thermal Power Corporation (NTPC) and Steel Authority of India Limited (SAIL) should not be disinvested.

The Congress party, in the second generation reforms, tried to bring back various alienated sections into its fold and thereby strengthen its mass base. The party forums and policy debates saw renewed efforts to address the interests of the socially marginalized sections like Dalits and Tribals (lower cast). Though, the party played a 'constructive' role in Parliament, in helping out the government in the economic reform process, it publicly dissociated itself from the privatisation process, terming it 'anti-lower caste' because of the loss of reserved jobs in the public sector. This stand was further elaborated in the Shimla Declaration of the party. It says 'the start of a purposeful dialogue with private industry was based on how best India's social diversity could be reflected in the private sector in different ways like reservation and fiscal incentives, low privatisation were inevitable to protect the welfare of the weaker sections of society and how government procurement can promote entrepreneurship among dalits and divasis'. Thus, the party attempted to counter the propaganda that it deviated from: its commitment to these sections by implementing market-oriented, economic reforms.

A micro analysis of the debates and discussions in the party forums and the divergent views expressed by the party leadership show that the Congress is still contemplating the merits and demerits of the disinvestment policy. Even though resolutions after resolutions reiterated that the profit making PSUs should not be privatised and the equity for disinvestment in the loss making PSUs should be below 50 per cent, pro-reformists are sceptical about this view. Just as the opinions of Vajpayee, Arun Shourie and Arun Jaitley can be contrasted with those of Murali Manohar Joshi, Ram Naik and Uma Bharati in the BJP together with George Fernandes and Sukhdev Singh Dhindsa, the views of Jairam
Ramesh and Mani Shankar Aiyar, Vayalar Ravi and Pranab Mukherjee represent diametrically opposite poles within the Congress. For instance, Jairam Ramesh viewed, ‘as far as privatisation is concerned, Vajpayee government has taken bold steps although only one deal relating to the sale of Modern Foods to Hindustan Lever has been consummated so far.

3.2.5. Conclusion of Political Issues

Whatever may be the official version, the Congress party in the second-generation reform is in a quandary after the BJP government 'hijacked' its economic agenda. Though it was the initiator of the reform process and subsequently the principal opposition party under the economic management of the BJP government, the Congress had not taken a clear-cut stand on the economic policy matters, especially on the disinvestment policy. It was yet to draw a dividing line between its approach and that of the BJP government. It is obvious that the Congress lacked clarity in its approach to the second-generation reforms.

The dilemma of the Congress can be seen in the context that it wants to project before the people that it did not want to become a B-team for the BJP government in the latter stages of economic policy and was not prepared to give all credit to the BJP in the reform process. The view of both the advocates of pro-liberalisation like Manmohan Singh and Jairam Ramesh and the protagonists of the left-of-centre like Vayalar Ravi and Pranab Mukherjee often contradict each other and thereby plunged the party into an ideological dilemma. But it can be seen that the difference of opinion emanating from various leaders were due to political compulsion rather than conviction. The nature of criticism against reforms depends on the political base of the leaders. The states where the opposition against reforms was strong, the leaders from those states usually became more critical of the reform process. For example, the anti liberalisation stand of the communists in Kerala and West Bengal reflected in that of the Congress leaders from these states like Vayalar Ravi, Pranab Mukherji and P.R. Dasmunshi to harp on pro-poor approach. It is clear that the political existence of these leaders forced them to take different voices on reforms within the party. This politics played a vital role in the approaches of both BJP and the Congress in the disinvestment policy rather than economic rationality.
3.3 Post Sale related Articles

In all cases of strategic sale, (except hotel properties of ITDC and HCI), Government/BBUNL (in the case of UMC and JCL being the holding company) retained a part of the equity with it, though management control was transferred to the strategic partner. The percentage of shares sold in the first instance to the SP varied from case to case. Except for the SHAs of HTL and UMC, other SHAs, provided for the manner of sale for the residual equity. In some cases a 'Put' option was made available to the Government under which it was compulsory for the SP to buy the shares being offered by the Government. In some cases a 'Call' option was made available to the SP. In some other cases, both 'Put' and 'Call' options were made available. In all the cases of both 'Put' and 'Call' options, the period in which or the date from which the option could be exercised was pre-defined. The principles for determining the price at which the options were to be exercised was also predefined in the SHA. The procedure of exercising the option was also provided in the SHA.

The Government retained at least 26 per cent shareholding of the divested CPSE with it for a certain length of time. These were sold through strategic sale, specifying the percentage of shares associated with the option, the time period as well as the basis of pricing.

A CPSE -wise summary of how 'Put' / 'Call' options were exercised in the past is given below.

**MFIL**, an unlisted CPSE was privatised in January, 2000 through a sale of 74 per cent of the paid up equity. 26 per cent of the equity was left with the Government. The SHA provided for a 'Put' option to the Government to sell the residual shares to the SP from January, 2001 at higher of the Fair Market Value or the price at which shares were sold in the strategic sale.

The 'Put' option was followed by a 'Call' option to SP. The 'Put' option was exercised by the Government on 28th November, 2002. The Government's residual equity was sold at the strategic sale price, i.e. Rs.1,489.56 per share, whose Face Value was Rs.1,000 realising an amount of Rs.44.07 crore.
BALCO is an unlisted CPSE in which 51 per cent of the equity was sold by the Government in March, 2001. A 'Call' option for the residual 49 per cent shares -exercisable from 3rd March, 2004 at the higher of the Fair Value or the strategic sale price plus 14 per cent annual interest compounded half yearly after giving credit for dividend received by the Government, was available to SP. “In the context of the Call”- option exercised by SP on 22nd March, 2004, the Attorney General for India (AG), in his opinion dated 27th April, 2006, advised that the 'Call' option provisions in the SHA place restriction on the right of the GO! to transfer its shares freely and such a restriction would be void and unenforceable. A final decision on sale of the 'Called Shares' is yet to be taken as AG has opined against the validity of the Call Option provisions and the matter is under dispute.

CMC was a listed CPSE, when Government disinvested 51 per cent of the paid up equity through strategic sale in October, 2001, leaving a residual equity of 32.31 per cent with the Government, which got reduced to 26.25 per cent after sale of shares to employees? The SHA provided for a 'Put' option for the Government effective from 16th October, 2002 to 15th October, 2003 not exceeding 10 per cent of the paid up equity out of the residual shares and from 16th October, 2003 to 15th October, 2004 for some or all of the remaining shares at Fair Value as defined in the SHA. The 'Call' option was provided to the SP from 16th October, 2004 to 15th October, 2006 at higher of the Fair Value or the Market Value of the called shares. In February, 2004 the entire residual shareholding of 26.25 per cent was sold through an Offer for Sale to the public after getting the concurrence of the SP under the 'Right of First Refusal' clause of the SHA. The Government realised an amount of Rs.190,44 crore from this transaction.

VSNL was a listed CPSE when the Government disinvested 25 per cent of the paid up equity capital through strategic sale in February, 2002, leaving a residual shareholding of 27.97 per cent. Out of the residual shareholding, 1.85 per cent shareholding was sold to the employees. As per the SHA, the SP could exercise a 'Call' option for the entire residual shareholding of the Government, except one share, during the period from 13th February, 2006 to 12th February, 2007 at Fair Value of the called shares, to be determined as per SHA. However, the SP did not exercise the 'Call' option and the period of one year, during which the SP could have exercised the call option, expired on 12th February, 2007.
**IBP**: The Government disinvested 33.58 per cent of the paid up equity in February, 2002 in this listed CPSE leaving a residual shareholding of 26 per cent. The SHA provided for a 'Put' option to the Government from 8th February, 2003 to 11th February, 2005 at Fair Value and a 'Call' option to the SP from 8th February, 2005 to 11th February, 2007 at Fair Value. However, Government sold its entire residual shareholding through an Offer for Sale to the public in February, 2004.

**PPL**: The Government sold 74 percent of the paid up equity capital in February, 2002 through strategic sale in this unlisted CPSE leaving a residual shareholding of 26 per cent. The shareholding of the Government in PPL came down to 19.55 per cent, consequent to a Rights Issue by the company, which was not subscribed to by the Government. The SHA provides for a 'Put' option right to the Government for some or all of the residual shares held by the Government at the time it exercises the put option at the fair value of the put shares. It further provides for a Call Option right to the SP from 1st March, 2005, requiring Government to sell to the SP all but not less than all of the equity shares held by the Government on date of issue of the Call Option Notice at a price which is higher of the fair value of the called shares or, if the company is listed, the highest price of the equity shares (during the period 15-days prior to the date of the call option notice) as quoted in the Stock Exchange or the price at which the shares were sold to SP at the time of strategic sale. In view of the opinion of AG referred to in Para 4.3.2 the Government has decided to repudiate the Call Option if and when exercised.

**HZL**: The Government sold 26 per cent of the paid up equity capital of the company through a strategic sale in April, 2002, retaining a shareholding of 49.92 per cent in this listed CPSE. Out of the residual shareholding, 1.465 per cent shareholding was sold to the employees. The SHA provided for the first 'Call' option to the SP from 11th October, 2002 to 10th October, 2003 for 18.92 per cent of the equity at higher of the Market Value of the shares or strategic sale price. This option was exercised by the SP in August, 2003 against which Government realised Rs.323.88 crore at the strategic sale price. A 'Put' option was available to the Government from 11th October, 2004 to 10th April, 2005 at higher of the Market Value of the shares or the strategic "sale price for the shareholding in excess of 26 per cent. The Government decided not to exercise.
the 'Put' option. The residual shareholding of the Government is now 29.535 per cent for which a 'Call' option is available to the SP from 11th April, 2007 at the Fair Market Value. In view of the opinion of AG referred to in Para 4.3.2 the Government has decided to repudiate the Call Option if and when exercised.

**IPCL:** The Government sold 26 per cent of the equity in this listed CPSE through strategic sale in June, 2002 leaving a residual shareholding of 33.95 per cent for which the SHA provided a 'Put' option to the Government from 4th June, 2004 to 3rd June, 2005 and a 'Call' option to the SP from 4th June, 2005 to 3rd June, 2006 both at Fair Value. However, in February, 2004 the Government, after obtaining concurrence of the SP under the 'Right of First Refusal' clause of the SHA, sold 28.95 per cent through an Offer for Sale to the public realising Rs.1203 crore and the residual holding of 5 per cent was offered to the employees of IPCL at discounted price, out of which 4.58 per cent shares were actually allotted. The existing shareholding of the Government in IPCL is 0.42 per cent.

**JCL:** At the time of strategic sale, BBUNL, a CPSE held 99 per cent of the paid up equity capital of JCL, a listed company. BBUNL sold 72 per cent of the paid up equity through the strategic sale to Indo-Wagon Engineering Limited (IWEL), leaving a residual shareholding of 27 per cent. The SHA provided for a 'Put' option to BBUNL from 29th August, 2004 to 28th August, 2006 and a 'Call' option to the SP from 29th August, 2006 to 28th August, 2008 both at Fair Value, to be determined as per the SHA. The shareholding in JCL got further reduced from 27 per cent to 4.16 per cent, consequent to a Rights Issue made by JCL in 2005 which was not subscribed by BBUNL. IWEL exercised the 'Call' option on 4th September, 2006. In view of the opinion of AG referred to in Para 4.3.2, the Government has decided to repudiate the Call Option already exercised by SP.

**MUL** was an unlisted Company when the Government renounced a Rights Issue of 4.21 per cent of the paid up equity in June, 2002, in favour of SMC, thereby reducing its shareholding to 45.79 per cent. SMC paid Rs.1000 crore as control premium to the Government for renouncing the Rights Offer. The RJVA provided for a 'Put' option from 8th November, 2003 to 8th July, 2005 at a price to be determined through a pre-defined
formula. The Government, however, sold 27.51 per cent out of its shareholding through an
IPO in July, 2003 realizing Rs.993.30 crore. Out of the residual shareholding of 18.28 per
cent, the Government sold 8 per cent equity of MUL to public sector financial institutions
and public sector banks in January, 2006 for Rs.1,567.60 crore and 0.01 per cent equity to
the employees of MUL for Rs.2.08 crore in March, 2006. In May, 2007, the Government
sold its residual 10.27 per cent shareholding in MUL for the consideration of Rs.2, 366.94
crore to public sector financial institutions, public sector banks and Indian mutual funds.

Sales of Shares to Employees.

Five SHAs relating to strategic sale provided for offer of shares to employees. These are
discussed as under.

**BALCO:** The SHA provided for an offer of up to 5 per cent equity of the company out of
the residual shareholding of Government to the employees. In case of **CMC** SHA provided
for an offer of not more than 6.31 per cent of the equity of the company out of the residual
shareholding of Government to the employees. The strategic sale was completed in
October, 2001 and the offer of shares to the employees was completed in June/July, 2002
at a price of Rs.66 per share i.e. at one-third of the strategic sale price of Rs.197
approximately. All regular employees of the company including full time functional
Directors of the company, on the specified date, were eligible to acquire shares under this
scheme. 3,208 employees availed of this offer, realizing Rs.6.07 crore for the Government
by subscribing to 6.06 per cent of the equity. The offer involved a sacrifice of around
Rs.12.04 crore for the Government vis-à-vis the strategic sale price and an average benefit
of Rs.0.38 lakh per employee. The shares were nontransferable/non-tradable for one year
from the date of issue.

For **VSNL**, the SHA provided for an offer up to 2 per cent shares of the company out of
the Government's residual shareholding to. the employees. -The company ceased to be a
Government company in February, 2002 and the offer to the employees was made in the
same month at one-third of the price offered by the strategic partner or 1/3rd of listed
market value calculated as the average of the closing price on BSE for 30 days, whichever
was less, subject to a minimum of par value of Rs.10 per equity share. 52,64,555 shares
representing 1.85 per cent equity of the company were subscribed by the employees. The
shares were offered at Rs.47.85 per share against the strategic sale price of Rs.202 per share, involving a sacrifice of Rs.81.15 crore by the Government and an average benefit of Rs.2,71,304.00 per employee. The shares were made nontransferable/tradable for one year.

The SHA provided for an offer of upto 5 per cent equity of the company to the employees out of the residual shareholding of the Government. It was decided to offer the shares at one-third of the Listed Market Value or one third of strategic sale price whichever was lower subject to a minimum of the face value. Accordingly, in November, 2002 the shares were offered at the face value of Rs.10 per share against a prevailing Listed Market Value of Rs.22.52 per share and strategic sale price of Rs.40.50 per share. 61.90 lakh shares or 1.465 per cent of the equity was subscribed by the employees. This transaction involved a sacrifice of Rs.18.88 crore by the Government and an average benefit of Rs.0.66 lakh per employee visa-vis the strategic sale price. The shares were non-transferable/non-tradable for one year.

For IPCL: The SHA provided for an offer up to 5 per cent equity of the company out of Government residual shareholding to the employees. The strategic sale was completed in June, 2002. Thereafter, the offer of shares to the employees was made in April, 2004 at one-third of the price at which the shares were sold in February, 2004 through an Offer for Sale i.e. Rs.170.

Accordingly, 5 per cent shares were offered to employees, out of which 4.58 per cent shares were actually allotted at Rs.57 per share. This involved a sacrifice of Rs.197.85 crore for the Government vis a vis the strategic sale price of Rs.231. An average benefit of Rs.1.61 lakh accrued to each employee. The shares were non-transferable/non-tradable for three year.

While the terms and conditions of sale of shares to employees varied, there are some common features. A matrix of distribution of shares among employees was adopted. Secondly, the ratio of distribution from the lowest to the highest level ranged between 1:2.75 and 1:5. Thirdly, the regular employees including the functional Directors of the Board at the time of disinvestment were eligible for subscribing to the shares. Fourthly, in all the schemes, the shares were offered at a discount to the prevailing price.
3.4 Post Closing Adjustments

In the case of unlisted companies and the hotel properties of HCI and ITDC, the Share Purchase Agreement/Agreement to Sell provided for a Post Closing Adjustment to cover the change in the financial status of the company between the date up to which the audited accounts were provided to the parties at the time of due diligence and the date of actual disinvestment. The difference in the Net Assets on the date of the last audited balance sheet and the closing date was called post closing adjustment and depending on whether there was an accretion or depletion of the Net Assets, this amount become payable to the Government.

The details of cases where Post Closing Adjustments were provided for in the Share Purchase Agreement/relevant transaction agreement and the status of each case as given below:

**MFIL:** MFIL was disinvested through sale of 74 per cent Government's equity to HLL for an amount of Rs.105045 crore. Financial bids were invited/received on the basis of audited accounts of MFIL as on 31st March, 1999. The transaction agreements were executed on 31st January, 2000. The appointed accounting firm had submitted a statement on 26th April, 2000 which required the Government to pay Rs.17.48 crore to the SP but the Government accepted a claim amounting to Rs.12.64 crore and released payment of Rs.10.94 crore in October, 2000 and Rs.1.70 crore in November, 2001. HLL, the purchaser still claims Rs.4043 crore under post closing adjustment on account of gratuity and recovery from U.P.

**BALCO:** 51 per cent equity of SALCO was disinvested in favour of SIIL on 2nd March, 2001 for an amount of Rs.551.50 crore. The SHA and SPA were signed on 2nd March, 2001 and the SP took over the management control. The SPA provided that within 90 days following the Closing Date, the Government and the Purchaser shall jointly select an accounting firm to prepare a statement showing the Closing Date Net Assets Amount. If the Closing Date Net Assets Amount were higher than the Adjusted Net Assets Amount on 31st March, 2000 (Rs.590.95 crore), the Purchaser shall pay 51 per cent of the difference to the Government and if the Closing Date Net Assets Amount was lower than the Adjusted Net Assets Amount, the Government shall pay...
51 per cent of the difference to the Purchaser. In terms of the SPA, the Government and the SP jointly appointed Price Waterhouse to compute the Closing Date Net Assets Amount. Price Waterhouse initially computed the Net Assets of SALCO as on 2nd March, 2001 at Rs. 478.08 crore which was subsequently increased to Rs.558.17 crore as against the Adjusted Net Assets of Rs.590.95 crore as on 31st March, 2000. The matter is under examination in the Ministry of Mines.

**PPL:** Financial bids for the disinvestment of 74 per cent of the equity in PPL were invited on the basis of audited accounts of the company as on 31st March, 2001. Only one financial bid of Zuari Maroc Phosphate Pvt. Limited (ZMPPL) was received. The transaction agreements for strategic sale were executed on 28th February, 2002. As per the joint audit, on the post closing claim, initially conducted by Price Waterhouse, Kolkata, the total deterioration in the net assets of PPL between 31st March, 2001 and 28th February, 2002 was at Rs.204.80 crore (approx.) out of which Rs.181.58 crore was due to ZMPPL. No agreement could be reached between ZMPPL and the Government on the amount of the post-closing claim. Thereafter, the Government appointed Patro & Co. who arrived at a post-closing claim of Rs.108.8 crore. In view of the discrepancies in the reports of the two auditors mentioned above, KPMG Private Limited was jointly engaged for conducting a full audit. In the report of KPMG, the amount payable to ZMPPL was computed to be Rs.141.32 crore. While this case was under examination of the Department of Fertilizer, ZMPPL initiated arbitration proceedings under the SPA.

**HTL:** 74 per cent equity of HTL was disinvested through Strategic Sale to HFCL on 16th October, 2001. The Post Closing adjustment claim filed by the strategic partner in terms of the provisions of SPA was not acceptable to the Department of Telecommunications.

**HCI:** HCI is a subsidiary of Air India Limited. Transactions relating to two hotel businesses of HCI, viz., Hotel Centaur Juhu Beach Mumbai and Centaur Hotel Mumbai Airport, Mumbai and a subsidiary hotel of HCI, viz., Indo Hokke Hotels Limited, Rajgir were based upon the audited accounts of 31st March, 2001. The transfer dates of these 3 hotels were: Indo Hokke Hotels Limited, Rajgir - 26th March, 2002, Hotel Centaur Juhu Beach, Mumbai, May 2002 and Centaur Hotel Mumbai Airport, Mumbai - 5th June, 2002.
Post closing adjustment in terms of the provisions of SPA was completed in respect of Indo Hokke Hotels Limited, Rajgir. HCI paid an amount of Rs.4.33 lakh to the purchaser in settlement of the claim.

In the case of Centaur Hotel Mumbai Airport, Mumbai, the purchaser raised a claim of Rs.235.67 lakh, whereas HCI raised a claim of Rs.497.71 lakh to be recovered from the purchaser. Since both the parties have disputed the claims of each other, the matter has been referred to arbitration.

In the case of Hotel Centaur Juhu Beach, Mumbai, the post closing adjustments in respect of (i) additional provision towards doubtful debts, (ii) additional provision towards leave encashment and gratuity and (iii) insurance claim and advances paid to suppliers have not been concluded. The parties have mutually agreed to refer the matter to Ministry of Civil Aviation (MoCA) for the award. MoCA informed that Additional Secretary and Financial Adviser, MoCA was appointed as the Arbitrator. The purchaser did not agree to this. HCI after taking legal opinion from their solicitors issued legal notice to the purchaser in October, 2005. The Board of HCI decided in March, 2006 to go ahead with arbitration proceedings. In June, 2006, HCI requested Arbitrator to proceed further in the matter.

3.5 Research Gap:

A perusal of work done by the learned scholars shows that much has been researched on contribution of public sectors, pros and cons of having them in the economy or not. The social aspect of their existence too has been elaborated. But the effect of disinvestment on sectors has not been quantitatively measured like in which direction their stocked moved. What was the impact on their Price Earning Ratio and for that matter on many financial parameters which are considered as nerves of any organization? Hence the researcher thought it fit to study this rather less explored area and efforts have been made in this direction.
3.6 Summary:

The articles reviewed by the researcher so far more or less confirm that no study has been conducted to find out the effect of disinvestment from financial angle especially with reference to improvement in ratio as a measure of financial analysis. Hence the researcher could find a research gap which has been tried to be filled in through this research. How has the researcher tried to fill in this gap, has been done has been discussed in the subsequent chapter on research methodology.