

GOVERNMENT PLANS TO EXIT 23 CPSEs

Prelims: Economics- Investments

Mains: GS-III- Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth.

Why in News?

- ▶ Government has given 'in-principle' approval for strategic disinvestment of 23 Central Public Sector Enterprises (CPSEs) including subsidiaries, units and joint ventures.

Difference Between Disinvestment and Strategic Disinvestment:

- ▶ In case of disinvestment, the Govt. sells shares of a company so that it can fetch some money. But strategic disinvestment involves sale of substantial volume of shares so that, part of the control of the company and or management passes to the private shareholder.

Why government plan Strategic Disinvestment?

- ▶ The government should not be in the business
- ▶ When a turnaround has been attempted but was unsuccessful

Types of Disinvestment Methods in India:

- ▶ **Minority Disinvestment/Token Disinvestment:** A minority disinvestment is one the government retains a majority stake in the company, typically greater than 51%, thus ensuring management control.
- ▶ **Majority Disinvestment/Strategic Disinvestment:** The government retains a minority stake in the company i.e. it sells off a majority stake. It is also called Strategic Disinvestment.
- ▶ **Complete Privatisation:** Complete privatisation is disinvestment wherein 100% control of the company is passed on to a buyer.

CPSE:

- ▶ Central public sector enterprises (CPSEs) are those companies in which the direct holding of the Central Government or other CPSEs is 51% or more.