

Unshackle the chains

Government must disinvest at least 51 per cent of PSU equity, says Uttam Gupta

THE government is committed to disinvest in public sector enterprises but not beyond 49 per cent. Although, there is no categorical policy statement to that effect, indications in various policy statements as also the recommendation of the Rangarajan committee on disinvestment in PSUs, confirm that this is indeed the thinking of the government.

The Rangarajan Committee has recommended disinvestment of 20 per cent. That the government is reluctant to go ahead even with partial disinvestment was evident in its approach to the contemplated offloading of 20 per cent of equity in ONGC. Its reluctance was also evident in the proposed disinvestment programme of Oil India Limited.

Whatever interest the government has evinced in disinvestment of PSUs has been prompted not by consideration of making them truly public limited and professionally managed companies but mainly to garner resources for reducing the fiscal deficit. This is how the proceeds of disinvestment in the years 1991-92 to 1993-94 have been used. Even in the 1994-95 round, only 50 per cent of the proceeds will be retained by the enterprises, provided the PIB concurs and the PSU's utilisation programme is approved. This would not only result in loss of flexibility of managements, it will be no different from the kind of strings that are attached to budgetary support. The proposal also falls far short of the recommendations of the Rangarajan committee that the money should be made available to the management for funding expansion and modernisation programmes.

We thus have one extreme position whereby the government would wish to maintain almost full ownership control over the enterprises and, yet, does not care to provide them necessary nourishment. The case of Maruti Udyog Ltd is only an exception and the majority equity of Suzuki has to be viewed in the unique circumstances facing the company. At the other end, the chief executives of a majority of PSUs have demanded disinvestment of government holding up to 51 per cent, which would reduce the latter to a minority partner. They maintain that no matter what is the precise level of disinvestment, so long as the Government holds majority equity, it

is impossible for them to meet competition.

Clearly, the CEs perceive the government's stranglehold as an impediment to efficient and profitable operations. It is a different matter that the latter wants the former alone to produce excellent results. Recently, the Prime Minister told CEs of PSUs that "they cannot depend permanently on sops from the government". The reference was obviously to price preference or exclusion of taxes and duties in valuation of bids. But, what about the handicap by way of not allowing managements to shed excess

procedural requirements must be met and necessary approval obtained even if that means that proposed investments/projects are rendered economically unviable or remain unimplemented. Some of the cash rich companies who had surplus funds to invest and even identified where and how to invest and had all the expertise to execute the projects have even landed up losing money in the securities scam.

Since, the managements did not have the timely approval to implement expansion/modernisation projects, and since the funds had to be deployed

attention of the more or less unreduced bureaucracy has shifted more and more to the PSUs which still remain under government control.

Against this backdrop, the management of a PSU would simply not be able to live up to its primary role of making the enterprise work better and maintain its assets in good shape.

The irony is that in all official documents and public pronouncements, this is being repeated and reiterated, but hardly any support or favourable environment provided to help them realise this goal.

The need for disinvestment in PSUs — not just partial but a minimum of 51 per cent — has to be appreciated in this perspective as anything short of that would mean continued direct involvement of the government. Needless to mention, this would facilitate constitution of effective and efficiently functioning, professionally-constituted, independent boards which are totally committed to the health and growth of the enterprise. They would also provide timely response to emerging needs and would be accountable to the general public. The huge sums of money generated through this process of disinvestment could be used for funding expansion and modernisation plans. The money would be well and effectively spent as this would be directly under the scrutiny of the public rather than through a plethora of rules and regulations.

In the emerging environment of intense competition and in the face of cheap imported goods and services flooding the Indian market consequent to the Indian economy opening up at a pace much faster than mandated even by the GATT agreement, it is imperative that those who have to manage and operate PSUs are freed from the shackles.

What the PSUs need is not concessions/sops from the government, but complete liberalisation from government control. To fulfill the goal, the government should come out, without further loss of time, with a policy on restructuring of PSUs which, amongst other things, should categorically announce disinvestment of a minimum of 51 per cent in all productive activities excepting those connected with defence or any other manufacturing activity of strategic concern to the nation.



manpower, sitting on approval on vital schemes/expansion programmes for inordinately long periods and constant interference?

The barriers facing the CEs are manifold. The *modus operandi* works typically in this fashion: The PSU board is dominated by nominee directors from the government, invariably from the concerned administrative ministry. The CE, who is the functional head and is also a member of the board, has to gear the working of the enterprise to decisions of the board. The CE, howsoever competent and independent he may be, is constrained from taking policy decisions or even day-to-day administrative ones.

Then there are the paraphernalia of obsolete rules and regulations. All

somewhere, the dubious PMS of the banks tainted in the securities scam became the hunting ground.

The rigours of public accountability have made matters even worse for the PSUs. Besides routine internal audit, the companies' balance-sheets and accounts have to undergo scrutiny by the concerned administrative ministry and the CAG. Then, there are parliamentary questions and evidence submission before numerous committees of Parliament which must be attended to as top priority. As if, this was not enough, more has been added by way of the MoU which are now being signed by virtually all PSUs.

In a way, delicensing and decontrol has worsened PSUs' problems. The