



## Disinvestment Exceeds Target

 [drishtiias.com/printpdf/disinvestment-exceeds-target](https://drishtiias.com/printpdf/disinvestment-exceeds-target)

For the **second year in a row**, the government has **exceeded the disinvestment target of Rs 80,000 crore** set for the **Financial Year 2019**, which ends in March.

- Against a goal of ₹80,000 crore in FY19, divestments have touched ₹85,000 crore with **completion of the acquisition of Rural Electrification Corporation (REC) by Power Finance Corporation (PFC) for Rs 14,500 crore.**
- Apart from Power Finance Corporation acquiring government's stake in Rural Electrification Corporation, **launch of several tranches of Exchange Traded Fund (ETF) of Central Public Sector Enterprises (CPSE)**, and were among the measures deployed by the government to achieve its target of stake sales.
  - The **largest chunk of disinvestment** came from several tranches of **ETFs launched by the government.**
  - The **second biggest chunk** of Rs 14,500 crore was raised through **Power Finance Corporation** acquiring government's 52.63% stake in REC.
  - In the last fiscal year, the government had **used the same strategy** to meet its disinvestment target as ONGC bought the entire stake of government in HPCL for a total of around Rs 37,000 crore.
- Meeting the disinvestment target for the current fiscal year was crucial because of the **uncertainty in revenue collection from direct taxes as well as from the goods and services tax (GST).**
- This will enable the government to **achieve the revised fiscal deficit target of 3.4%** of gross domestic product (GDP).

The budgeted fiscal deficit target was 3.3% of gross domestic product (GDP) at the beginning of 2018-19 and was later **revised to 3.4% of gross domestic product in the interim budget**, mainly because of an expectation of higher payout because of the direct income scheme for farmers.

### Disinvestment

- Disinvestment means **selling of assets**. In the case of Public Sector Undertakings, disinvestment means **Government selling/ diluting its stake (share) in PSUs in**

**which it has a majority holding.**

- Disinvestment is carried out as a **budgetary exercise**, under which the government announces yearly targets for disinvestment for selected PSUs.
- Recently, in April 2016, the **Department of Disinvestment (under Ministry of Finance)** was renamed as **Department of Investment and Public Asset Management (DIPAM)**.
- The mandate of the Department is as follows:
  - All matters relating to the **management of Central Government investments in equity** including disinvestment of equity in Central Public Sector Undertakings.
  - All matters relating to the sale of Central Government equity through offer for sale or private placement or any other mode in the erstwhile Central Public Sector Undertakings.