Disinvestment Policy – Shift from Disinvestment to Asset Monetisation

March 1, 2026 • vajiramandravi.com

Disinvestment Policy Latest News

- Since the announcement of the revamped Disinvestment Policy (2020) and the Public Sector Enterprises (PSE) Policy (2021), the Union Government initially emphasized privatisation and strategic disinvestment.
- However, recent policy developments — including the launch of the National Monetisation Pipeline (**NMP**) **2.0** — indicate a clear shift from asset sales to value extraction and asset monetisation.
- The focus is on dividends and leasing of assets instead of outright privatisation.

Evolution of Disinvestment Policy

- **Original privatisation push (2020-21):** The Public Sector Enterprises Policy (2021) provides a framework for –
  - Government to exit non-strategic sectors.
  - Minimum presence in strategic sectors.

    - Strategic disinvestment encouraged where private sector capacity exists.
- **Policy rationale:** Government should minimise direct business operations. The private sector is seen as more efficient in managing enterprises.

Declining Disinvestment Revenues

- **Temporary surge:** 2022–23 disinvestment revenue (₹35,294 crore), with stake sales in ONGC, LIC, GAIL, and IRCTC, ended a four-year declining trend.
- **Subsequent decline:** Disinvestment proceeds fell sharply. For example, from a disinvestment revenue of ₹16,507 crore in 2023-24 to ₹10,163 crore (2024-25) and ₹15,562 crore (till date in 2025–26).
- **Policy signals:**
    - Key changes indicate reduced emphasis on privatisation.
    - Removal of separate disinvestment category in Budget documents.
    - Disinvestment receipts merged into "Miscellaneous Capital Receipts."
    - No annual disinvestment targets.

Reasons for Reduced Privatisation

- **Limited private sector interest:**
    - Key constraints include large employee headcounts, loss-making assets, structural inefficiencies, and political and labour resistance.
    - These factors made many Public Sector Enterprises **unattractive** to private investors.
- **Increasing focus on dividend income:**
    - **Consistent Dividend Policy (2020)**: The Department of Investment and Public Asset Management (DIPAM) advised CPSEs to pay higher dividends, use cash reserves efficiently, and balance capex needs and profitability.
    - **Capital Restructuring Guidelines (2024):** Revised guidelines emphasized value creation in CPSEs, maximising returns for the government.
    - **Rising dividend receipts:** From ₹39,750 crore in 2020–21 to ₹74,128 crore (2024-25) and ₹59,730 crore (so far in 2025-26). Dividend income now significantly exceeds disinvestment proceeds.

Asset Monetisation as the New Strategy

- **National Monetisation Pipeline (NMP)**:
    - Launched in 2021 to monetise brownfield infrastructure assets through leasing arrangements. Key features include –
        - No transfer of ownership
        - Private sector participation
        - Revenue generation from idle or underutilised assets
    - **Performance:** About 90% of the target [₹6 lakh crore (2021–25)] achieved.
- **National Monetisation Pipeline 2.0 (2025–30):**
    - **Target**: ₹16.72 lakh crore
    - **Focus sectors**: Transport infrastructure, energy assets, telecom, warehousing, etc.

- This represents a major expansion of the asset monetisation approach.

Advantages of the New Approach

- **Fiscal benefits**: Stable and predictable revenue through dividends. Reduced political resistance compared to privatisation. Avoids one-time asset sales.
- **Economic benefits:** Improves utilisation of public assets, encourages private sector efficiency, and retains public ownership.
- **Administrative benefits:** Lower complexity compared to strategic disinvestment, and faster implementation.

Challenges and Way Forward

- **Fiscal risks:** Dividend extraction may reduce reinvestment capacity of CPSEs. Overdependence on dividends can weaken long-term growth.
  - **Strengthen corporate governance**: Professional management of CPSEs, reduced political interference.
  - **Selective privatisation:** Focus on loss-making non-strategic sectors.
- **Structural issues:** Persistent inefficiencies in CPSE management. Asset monetisation does not address operational problems.
  - **Balanced public sector reform:** Combine strategic disinvestment with monetisation and governance reforms.
- **Market risks:** Private sector interest depends on economic conditions. Monetisation revenues may fluctuate.
  - **Efficient asset monetisation:** Transparent bidding processes, and strong regulatory oversight.
- **Policy inconsistency:** Shift from privatisation to monetisation may create uncertainty among investors.
  - **Sustainable dividend policy**: Avoid excessive dividend extraction, and ensure adequate capital expenditure.

Conclusion

- India’s public sector reform strategy is undergoing a significant transition from privatisation to asset monetisation and dividend extraction.
- While this approach provides steady fiscal returns and political acceptability, long-term success will depend on balancing revenue generation with the financial health and competitiveness of CPSEs.
- A **calibrated mix** of privatisation, monetisation, and governance reforms remains essential for sustainable public sector management.

Source: TH
