



## Policy on Strategic Sectors - Privatisation

### Why in news?

The central government has said that guidelines on the privatisation of the public sector companies would be out soon, along with the policy on strategic sectors.

### What does strategic and non-strategic sectors mean?

- Currently, there is no clear definition of strategic sector.
- According to some regulatory purposes, only space and atomic energy are considered strategic.
- The Railways is categorised as a sector involving social good, and so eligible to be in the government sector only.
- Now, Banking, insurance, defence, and energy are likely to be part of the strategic sector list, which is expected to have as many as 16 sectors.
- Under the new definition, non-strategic sectors will include hotel & tourist services, transportation vehicle & equipment, industrial & consumer goods, trading & marketing, and transport & logistics.

### What is the proposed plan?

- The government had announced the Atmanirbhar Bharat economic support package in May 2020.
- The Finance Minister had said that the proposed policy would notify the list of strategic sectors.
- These would require the presence of at least one state-owned company along with the private sector.
- In all other sectors, the government plans to privatise public sector enterprises, depending upon feasibility.
- The number of enterprises in strategic sectors will be only one to four, to minimise wasteful administrative costs.
- Others would be privatised/merged/brought under a holding company structure.
- The policy will put out a “general framework.”
- Specific decisions, on which company is to be privatised, merged, or put

under a holding company structure, would be taken later on.

- This is expected to be a long-term process rather than a one-time move on the privatisation of companies.
- After inter-ministerial consultations to finalise strategic sectors, the policy will be put up before approval of the Union Cabinet.

### **What is the significance?**

- This is the first time since 1956 that the government has said it will not have state-owned companies in the non-strategic sector.
- In other words, there will be complete privatisation of companies in the non-strategic sectors once the strategic sectors policy is in place.
- Also, the number in the strategic sectors is said to be reduced.

### **What is the possible sector-wise categorisation?**

- Nuclear Power Corporation of India, Antrix Corporation and PowerGrid will be among a small handful of state-owned companies to continue to enjoy immunity from privatisation.
- Indian Railways, National Highways Authority of India and Food Corporation of India will obviously remain under full government control.
- These are monolithic entities supported by specific Central laws.
- They also have functions inseparable from well-entrenched, flagship government policies.

### **What are the ongoing processes?**

- The government has already set in motion privatisation plans for large PSU companies.
- These include BPCL, Air India, Container Corporation of India, and Shipping Corporation of India.
- Budget 2020-21 had announced plans -
  - i. to sell part of the Centre's stake in Life Insurance Corporation (LIC) through an initial public offer (IPO)
  - ii. on the sale of equity in IDBI Bank to private, retail and institutional investors

### **What are the expected changes?**

- The policy offers significant scope for large-scale privatisation and/or consolidation of central PSUs.
- The emphasis on privatisation could see companies in chemicals and infrastructure space being privatised.
- The move could also see the entry of private players into atomic energy and

space sectors.

- However, the sole state-run entities in these sectors (Nuclear Power and Antrix) will retain their public sector character.
- The government has also stated its intent to reduce the number of state-owned banks, with government having just few very large banks under its fold.
- This could see some smaller banks being privatised in due course.
- A holding company structure could also be used to house equity of smaller banks in one entity.

**Source: The Indian Express**



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