

2 Explain the various impacts on Indian economy of setting realistic disinvestment target.

The government has charted a realistic disinvestment target of ₹ 05,000 crore for 2023-2024. This comes at the backdrop of reduced realisation in the current fiscal year.

Reduced revenues

The target for 2022-23 was ₹ 40,000 to 50,000 crore and realised was ₹ 24,000 crore and out of which ₹ 20,000 crore was from strategic sale of Life Insurance Corporation of India. Also, due to Bharat Petroleum privatisation did not materialise and delays in divesting Industrial Development Bank of India.

Given these issues next year targets have been set more realistic as disinvestment is more important than revenue.

Impacts on the economy

① As the disinvestment targets are reduced, the financing of fiscal deficit takes a hit. This can result in increased government borrowing and will eventually lead to crowding out effect leaving less room for corporates to borrow.

② Stock market volatility is high due to oil supply shocks and war scares. The secondary markets may take a hit. cushioning is however provided by the Reserve Bank's Retail Direct Scheme.

③ It may still defer the strategic disinvestment of loss making public sector units.

with full implementation of New Public sector policy and complete realisation of disinvestment targets can cool off prices and fund fiscal deficit.