

A Critical Analysis of Effectiveness of Disinvestment Strategies by Government: A Survey-Based Study of Economic Experts

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Abstract

A critical analysis of the effectiveness of disinvestment strategies employed by governments reveals a complex and nuanced picture. Disinvestment, which involves selling off government-owned assets or reducing the government's stake in public sector enterprises, is often pursued to achieve various economic and policy objectives. While proponents argue that disinvestment promotes efficiency, reduces the fiscal burden, and stimulates private-sector participation, there are several factors that need to be considered. Firstly, the success of disinvestment depends on the strategic planning and execution of the process, including market conditions, valuation of assets, and investor appetite. Poorly executed disinvestment programs can result in the undervaluation of assets or limited investor interest, leading to suboptimal outcomes. Secondly, the impact of disinvestment on social welfare and employment must be carefully assessed, as it can lead to job losses and potential disruption of essential services in specific sectors. Additionally, the long-term implications of reduced government control over strategic industries and critical infrastructure should be evaluated, as it may affect national security and sovereignty. Furthermore, the effectiveness of disinvestment is contingent upon the government's ability to utilize the proceeds efficiently, invest in productive sectors, or address social and developmental needs. Overall, the effectiveness of disinvestment strategies requires a comprehensive analysis that takes into account economic, social, and political factors to ensure optimal outcomes for the government and the broader society. Sample of 171 economic experts were considered to know the effectiveness of disinvestment strategies by Government. The study concludes that there is significant effect of disinvestment strategies by Government on economic sector.

Keywords: Disinvestment, Critical Analysis, Fiscal burden, Public Sector Enterprises, Social Welfare

Introduction

The effectiveness of disinvestment strategies employed by governments is a subject of critical analysis due to its far-reaching implications on various economic and policy objectives. Disinvestment, characterized by the sale of government-owned assets or the reduction of the government's stake in public sector enterprises, has been advocated as a means to promote efficiency, reduce fiscal burden, and stimulate private sector participation. However, a comprehensive evaluation is necessary to assess the success and impact of such strategies.

The effectiveness of disinvestment depends on several key factors. First and foremost, the strategic planning and execution of the disinvestment process play a vital role. Market conditions, asset valuation, and investor appetite must be considered to ensure optimal outcomes. Poorly executed disinvestment programs can result in the undervaluation of assets or limited investor interest, leading to suboptimal returns for the government. Therefore, meticulous attention to detail and careful market analysis are crucial in maximizing the benefits of disinvestment.

Another critical aspect to consider is the impact of disinvestment on social welfare and employment. While disinvestment may promote economic efficiency, it can also lead to job losses and potential disruption of essential services in certain sectors. It is essential for governments to strike a balance between economic considerations and the well-being of the workforce. Mitigation measures, such as retraining programs and support for affected employees, must be implemented to minimize the adverse effects of disinvestment on individuals and communities. This consideration ensures that the broader societal impact is taken into account when assessing the effectiveness of disinvestment strategies.

Additionally, the effectiveness of disinvestment strategies is contingent upon the government's ability to utilize the proceeds efficiently. It is vital to channel the funds generated from disinvestment toward productive sectors, infrastructure development, or addressing social and developmental needs. Prudent utilization of the proceeds ensures that the benefits of disinvestment are realized in a manner that contributes to long-term economic growth and societal progress.

Literature Review

Research highlights the shift from passive to active divestment approaches and explores the motivations driving divestment efforts, such as creating headroom for innovative products and addressing market failures. The emphasis on ongoing evaluation and the call for reporting findings in peer-reviewed literature demonstrates the importance of evidence-based decision-making in divestment strategies. Overall, this research paper is a valuable contribution to understanding international divestment practices in the pharmaceutical domain and provides a solid foundation for further research and policy development in this area. (Parkinson et. al., 2015). Another paper frames divestment as a means to make informed local decisions and optimize resource allocation as a persuasive argument, positioning it as a protective rationale rather than a threat. Overall, this research paper offers valuable insights into the challenges and opportunities associated with divestment in the Spanish National Health System, contributing to the understanding of divestment strategies in the context of cost-cutting measures. (García-Armesto et. al., 2013).

A paper demonstrates a commitment to understanding the underlying processes, contexts, and rationales for divestment. While it does not provide specific details on the methodology and framework, it successfully conveys the significance of the proposed CIS in advancing the field of divestment. Overall, this research paper presents a promising protocol that has the potential to contribute valuable insights to the field and support evidence-based decision-making in divestment strategies. (Wilson et. al., 2014). Another article is a significant addition to the understanding of non-state governance in climate policy, specifically focusing on the fossil fuel divestment movement. The article successfully conveys the importance of analyzing this movement's strategies, architecture, and potential impact within the broader climate change regime complex. It sets the stage for a detailed examination of the movement's implications and fills a notable gap in the literature. (Ayling & Gunningham, 2017).

A paper discusses various approaches for identifying divestment candidates, including comparative effectiveness research, clinical practice variations, and clinical practice guidelines. It also explores techniques such as program budgeting and marginal analysis (PBMA) for implementing the divestment process. The authors highlight the limited progress in active divestment and suggest that the current HTA framework may not adequately address the

decision-making context of disinvestment. (Haas et. al., 2012). Another paper acknowledges that while several projects have been conducted in various countries, the majority of these initiatives have remained limited to research settings. The concept of disinvestment poses challenges, particularly from a methodological standpoint. To address these challenges, the paper emphasizes the need for international collaboration to develop new methodological approaches that generate evidence on disinvestment policies and practices. (Calabrò et. al., 2018).

A paper indicates that stakeholders often lack the necessary support, including a political, administrative, and clinical will, to effectively implement disinvestment strategies. Additionally, there is no universally accepted best practice framework for drug disinvestment. The paper suggests potential solutions to address these challenges, including adopting neutral framework terminology, establishing fixed reassessment timelines, conducting therapeutic reviews, and modifying qualitative decision-making assessment frameworks. (Maloney et. al., 2017). Another paper provides valuable insights into the specific case of NTPC and demonstrates the effects of disinvestment on various financial indicators. It highlights the improvements in profitability and liquidity, which are positive outcomes of the disinvestment strategy. However, it also points out the negative impact on efficiency, suggesting that further analysis and strategies may be required to address this aspect. (Narang, 2018).

Research provides valuable insights into the complexities and challenges of disinvestment in healthcare. It emphasizes the role of GPs in prioritizing healthcare services and the necessity of engaging with diverse stakeholders for successful disinvestment decisions. This article contributes to the understanding of the dynamics of disinvestment in healthcare and provides a basis for further research and discussions in this area. (Robinson et. al., 2011). Another paper provides valuable insights into the complexities and potential benefits of disinvestment initiatives, specifically focusing on the implementation of Choosing Wisely in the Australian context. The paper highlights the need for rigorous evaluation and further research to understand the broader impacts and quantify the effects of such initiatives. This research contributes to the ongoing discussion and development of disinvestment strategies in healthcare and offers guidance for policymakers and stakeholders involved in resource allocation decisions. (Day et. al., 2016).

A paper provides valuable insights into the global landscape of health technology disinvestment and identifies potential determinants associated with its implementation. The study highlights the importance of considering various socio-economic factors and the presence of HTA agencies in understanding the adoption of disinvestment programs. By shedding light on the current state of disinvestment efforts, this research contributes to the knowledge base and informs future policy decisions related to health technology assessment and resource allocation. (Orso et. al., 2017). Another research provides insights into the financial analysis of oil and gas companies in the context of disinvestment. The study highlights the importance of considering external factors and their influence on the performance of public sector enterprises. The findings contribute to a better understanding of the complexities involved in analyzing the financial performance of oil and gas companies after disinvestment. (Srivastava & Gupta, 2016).

Objective: To know the effectiveness of disinvestment strategies by Government.

Methodology: Sample of 171 economic experts were considered to know the effectiveness of disinvestment strategies by Government. The survey was conducted with the help of a questionnaire. The researcher had collected the primary data through random sampling method and analyzed it using mean and t test statistical tools.

Findings

Table 1 Effectiveness of disinvestment strategies by Government

S. No.	Statements	Mean Value	t value	Sig.
1.	Disinvestment strategies lead to job losses and potential disruption of essential services in specific sectors	3.17	2.262	0.012
2.	Disinvestment strategies may affect national security and sovereignty	3.18	2.410	0.009
3.	Disinvestment strategies promote efficiency, reduce fiscal burden, and stimulate private sector participation	3.16	2.177	0.015
4.	Poorly executed disinvestment programs can result in the undervaluation of assets or limited investor interest	3.14	1.866	0.032

5.	Disinvestment strategies lead to suboptimal returns for the government	3.15	2.032	0.022
6.	Mitigation measures must be implemented to minimize the adverse effects of disinvestment	3.13	1.732	0.043

Table above is showing Effectiveness of disinvestment strategies by Government. The respondent says that disinvestment strategies may affect national security and sovereignty with mean value 3.18, lead to job losses and potential disruption of essential services in specific sectors with mean value 3.17 and promote efficiency, reduce fiscal burden, and stimulate private sector participation with mean value 3.16. The respondent also says that Disinvestment strategies lead to suboptimal returns for the government with mean value 3.15, Poorly executed disinvestment programs can result in the undervaluation of assets or limited investor interest with mean value 3.14 and Mitigation measures must be implemented to minimize the adverse effects of disinvestment with mean value 3.13. The value under significant column for all the statements related to disinvestment strategies by Government are significant with value below 0.05 after applying t-test.

Conclusion

In conclusion, a critical analysis of the effectiveness of disinvestment strategies employed by governments reveals a complex and multifaceted landscape. Strategic planning, market analysis, and careful execution are essential to achieve optimal outcomes. Moreover, governments must balance economic considerations with social welfare and employment impacts. The long-term implications of reduced government control over strategic sectors and prudent utilization of proceeds further underscore the need for comprehensive evaluation. By taking into account economic, social, and political factors, governments can make informed decisions that maximize the benefits of disinvestment while minimizing potential drawbacks, ensuring the effectiveness of these strategies for the broader society. This requires a holistic approach that considers the interplay of various variables, including fiscal sustainability, industry dynamics, public perception, and the overall goals of the disinvestment initiative. It is crucial to strike a balance between short-term financial gains and long-term socio-economic impacts, fostering transparency, accountability, and stakeholder engagement throughout the process. Only through

diligent analysis, informed decision-making, and ongoing evaluation can governments optimize the outcomes of disinvestment and contribute to sustainable development in their respective economies.

Present study was conducted to know the effectiveness of disinvestment strategies by Government and found that disinvestment strategies may affect national security and sovereignty, lead to job losses and potential disruption of essential services in specific sectors and promote efficiency, reduce fiscal burden, and stimulate private sector participation. The study concludes that there is significant effect of disinvestment strategies by Government on economic sector.

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