

A Review of Major Trends in Disinvestment in India since 2015: Policy Evolution, Transactions and Emerging Directions

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ABSTRACT

Disinvestment-the process by which the Government of India dilutes or transfers its ownership stake in Central Public Sector Enterprises (CPSEs), has remained a central instrument of fiscal and structural policy since the economic reforms of 1991. This paper reviews the major trends in Indian disinvestment from 2015 to 2026, a period marked by a decisive shift from an ad hoc, case-by-case approach toward a codified policy framework. The paper traces the formulation of the first consolidated Disinvestment Policy of 2016, the creation of the Department of Investment and Public Asset Management (DIPAM), the launch of Exchange Traded Fund (ETF)-based disinvestment, and the subsequent adoption of the New Public Sector Enterprise Policy for Atmanirbhar Bharat in 2021, which classified CPSEs into strategic and non-strategic sectors. Using budgeted and actual disinvestment receipts from 2015-16 to 2025-26, the paper identifies persistent gaps between targets and realisation, a recurring reliance on ETFs and offer-for-sale routes over genuine strategic privatisation, and landmark transactions such as the Hindustan Petroleum Corporation Limited (HPCL) sale to Oil and Natural Gas Corporation (ONGC), the strategic sale of Air India to the Tata Group, and the Life Insurance Corporation (LIC) initial public offering.

The paper also examines stalled transactions including Bharat Petroleum Corporation Limited (BPCL) and IDBI Bank, sectoral patterns, and the emerging pivot toward asset monetisation as a complementary non-debt revenue source. The paper concludes that while disinvestment policy architecture has matured considerably since 2015, actual execution continues to be constrained by valuation disputes, regulatory delays, market volatility and political sensitivity, and it outlines directions for more predictable and transparent disinvestment governance.

Keywords: Disinvestment, Privatisation, CPSEs, DIPAM, Strategic Sale, Asset Monetisation, Indian Economy, Public Sector Enterprises, Fiscal Policy

Introduction

Public Sector Enterprises (PSEs) have historically occupied a central place in India's development strategy. Beginning with the Industrial Policy Resolution of 1956, the state expanded its footprint across core and strategic industries such as steel, coal, power, telecommunications, banking and heavy engineering, driven by the objectives of self-reliance, employment generation and balanced regional development. Over subsequent decades, however, many Central Public Sector Enterprises (CPSEs) came

to be characterised by operational inefficiency, overstaffing, poor capital utilisation and continued dependence on budgetary support.

The New Economic Policy of 1991 marked the beginning of disinvestment in India, as the government began selling minority stakes in selected CPSEs to raise non-debt capital receipts and improve financial discipline. For nearly two and a half decades thereafter, disinvestment proceeded in a piecemeal and inconsistent manner, oscillating between minority stake sales and during 1999–2004, a brief phase of strategic sales such as Bharat Aluminum Company (BALCO) and Hindustan Zinc. The period since 2015 represents a distinct and more structured phase in this history. It is characterised by the formulation of a formal disinvestment policy, the institutional strengthening of the Department of Investment and Public Asset Management (DIPAM), the introduction of new financial instruments such as CPSE-ETF and Bharat 22 ETF, and, from 2021 onward, a categorical policy commitment to privatise CPSEs outside a narrowly defined set of strategic sectors.

This paper analyses the major trends that have shaped Indian disinvestment since 2015, combining a review of policy evolution with an examination of budgeted targets, actual receipts, disinvestment modes, and landmark transactions. It further discusses the persistent implementation challenges that have caused actual proceeds to fall short of budgetary targets in most years, and it considers the recent pivot toward asset monetisation as a complementary strategy to disinvestment.

Conceptual Framework of Disinvestment

To understanding the concept well the meaning and objectives of disinvestment, different modes and institutional framework is need to be know. The same has been analysed in the following paragraphs.

A. Meaning and Objectives

Disinvestment refers to the sale or liquidation of government equity in a CPSE, ranging from the sale of a small minority stake to the outright transfer of ownership and management control. Its principal objectives include mobilising non-debt capital receipts for the exchequer, reducing the fiscal deficit, improving the operational efficiency of enterprises through private participation, deepening capital markets, and reducing the scope of state involvement in sectors where private enterprise can perform more efficiently.

B. Modes of Disinvestment

- **Minority Stake Sale:** Sale of government shares without transfer of management control, through Initial Public Offers (IPOs), Offer for Sale (OFS) on stock exchanges, or buybacks.
- **ETF-Based Disinvestment:** Simultaneous sale of government holdings across a basket of listed CPSEs through instruments such as the CPSE-ETF and Bharat 22 ETF.
- **Strategic Disinvestment:** Sale of a substantial or entire government shareholding (generally 50% or more) along with transfer of management control to a private or another public sector buyer.
- **Privatisation:** A subset of strategic disinvestment in which management control passes specifically to a private strategic buyer, as distinguished from transfers between CPSEs.

C. Institutional Framework

The Department of Disinvestment, established in 1999, was renamed the Department of Investment and Public Asset Management (DIPAM) in 2016, reflecting an expanded mandate that includes not only disinvestment but also the broader management of government investment in CPSEs. DIPAM functions under the Ministry of Finance and works in coordination with NITI Aayog, administrative ministries,

and the Cabinet Committee on Economic Affairs (CCEA), which approves individual strategic disinvestment transactions.

Evolution of Disinvestment Policy Before 2015

Disinvestment in the 1990s was largely confined to small minority stake sales, generating modest and inconsistent receipts. The period between 1999 and 2004 saw the only sustained phase of strategic privatisation prior to the period under review, with landmark sales such as Bharat Aluminium Company (BALCO) and Hindustan Zinc Limited together raising approximately ₹54,000 crore, though the BALCO transaction attracted controversy over alleged undervaluation. The United Progressive Alliance government (2004–2014) halted strategic sales altogether, relying instead on minority divestment, through which it raised approximately ₹1.7 lakh crore over the decade. This left India, by 2014, without a coherent, codified disinvestment policy, and with actual receipts consistently trailing budget estimates.

Disinvestment Policy Framework Since 2015

A. Disinvestment Policy of 2016

The government notified its first consolidated disinvestment policy in 2016, which emphasised efficient management of CPSEs and wider public ownership through capital markets, alongside the renaming of the Department of Disinvestment as DIPAM. This period also saw the launch of the CPSE-ETF (2014) and the Bharat 22 ETF (2017), which became the two principal vehicles for bundled minority stake sales across diverse sectors.

B. The New PSE Policy for Atmanirbhar Bharat, 2021

A decisive shift occurred with the New Public Sector Enterprise Policy for Atmanirbhar Bharat, notified in February 2021 with Cabinet approval. This policy replaced the earlier case-by-case approach with a rationale for the government's future ownership of all 439 CPSEs (including subsidiaries) then in existence. It classified sectors into strategic and non-strategic categories. In non-strategic sectors, the policy commits the government to a complete exit through privatisation, merger, subsidiarisation, or closure. In four broadly defined strategic sectors -(i) atomic energy, space, and defence; (ii) transport and telecommunications; (iii) power, petroleum, coal, and other minerals; and (iv) banking, insurance, and financial services-the government committed to retaining only a "bare minimum" presence, with the remaining CPSEs in these sectors also being considered for privatisation, merger, or closure.

C. Strategic Disinvestment versus Minority Sale

Strategic disinvestment, as clarified in DIPAM's policy framework, implies the sale of a substantial or entire government shareholding in a CPSE together with transfer of management control; where the buyer is a private entity, this is termed privatisation, while transfers to another CPSE do not constitute privatisation in the strict sense. Minority stake sales, by contrast, are carried out through SEBI-approved market mechanisms such as IPOs, OFS, and buybacks without altering management control, and have historically generated the bulk of annual disinvestment receipts.

Year-Wise Trends in Disinvestment Receipts (2015-16 to 2025-26)

Table I presents budgeted and actual disinvestment receipts of the central government from 2015-16 to 2025-26. The data reveal a persistent pattern: barring 2017-18 and 2018-19, actual receipts have fallen short of the budget estimate in every year of the period, often substantially. The government has, at the same time, progressively moderated its targets since the historic high of ₹2.10 lakh crore budgeted for

2020-21, reflecting a more conservative and market-sensitive approach to target-setting from 2022 onward.

TABLE-1
DISINVESTMENT TARGETS VS. ACTUAL RECEIPTS- 2015-16 TO 2025-26

Financial Year	Budget Estimate (₹ crore)	Actual Receipts (₹ crore)	% of Estimate Realised
2015-16	69,500	42,132	61%
2016-17	56,500	47,743	85%
2017-18	72,500	1,00,045	138%
2018-19	80,000	94,727	118%
2019-20	1,05,000	50,304	48%
2020-21	2,10,000	32,886	16%
2021-22	1,75,000	13,534	8%
2022-23	65,000	35,294	54%
2023-24	51,000	16,507	32%
2024-25	50,000	10,163	20%
2025-26	47,000	16,886	36%

Note: Figures compiled from Union Budget documents, DIPAM annual disclosures, PRS Legislative Research, and contemporaneous financial press reports. 2021-22 onward figures reflect disinvestment receipts specifically and exclude dividend and asset-monetisation receipts, which are treated separately from 2021-22 onward in government reporting.

Three broad phases are discernible. First, 2015-16 to 2018-19 was a build-up phase in which ETF-based sales and select strategic transactions allowed the government to meet or exceed targets in two consecutive years. Second, 2019-20 to 2021-22 was a period of significant underperformance, driven initially by weak market sentiment and subsequently compounded by the COVID-19 pandemic, which depressed valuations and delayed several strategic sales, including Air India and BPCL. Third, from 2022-23 onward, the government adopted more conservative, "achievable" targets rather than aspirational ones, even as actual realisation continued to lag, reflecting continuing structural constraints in translating policy intent into completed transactions.

Major Disinvestment Transactions Since 2015

After 2015 the Government of India initiated the some major Disinvestment transactions, which are noticed as follows for more clarity.

A. ETF-Based Disinvestment

Between 2015-16 and 2020-21, ETFs constituted the single largest source of disinvestment receipts. The CPSE-ETF and Bharat 22 ETF enabled the government to divest small stakes across a basket of listed CPSEs simultaneously, offering a relatively low-friction, market-linked mechanism that did not require individual transaction-level approvals.

B. Offer-for-Sale in Coal India (2015)

One of the earliest large transactions of the period under review was the 2015 Offer for Sale of a 10% stake in Coal India Limited, which raised approximately ₹22,557 crore and remains among the largest single OFS transactions of the decade. Notably, the state-owned Life Insurance Corporation of India

purchased a substantial share of the shares on offer, a pattern — CPSEs and public financial institutions absorbing shares divested by the government — that recurred in several subsequent transactions, including the 2018-19 sale of REC Limited to Power Finance Corporation.

C. Strategic Sale of HPCL to ONGC (2017-18)

In 2017-18, the government sold its entire stake in Hindustan Petroleum Corporation Limited (HPCL) to the state-owned Oil and Natural Gas Corporation Limited (ONGC) for approximately ₹36,915 crore, the largest single transaction of that fiscal year and a major contributor to the year's target overachievement. While technically classified as strategic disinvestment, the transaction involved a transfer between two CPSEs rather than to a private buyer, illustrating a broader trend in which "strategic" transactions in this period have rarely amounted to genuine privatisation.

D. Air India–Tata Group Transaction (2021)

The strategic sale of Air India to the Tata Group, approved by the Cabinet Committee on Economic Affairs in October 2021 and completed in January 2022, marked the most significant genuine privatisation of the period. Valued at approximately ₹18,000 crore including assumed debt, the transaction ended decades of loss-making state ownership of the national carrier and was widely regarded as a signal of renewed political will to pursue privatisation of loss-making CPSEs.

E. LIC Initial Public Offering (2022)

In May 2022, the government divested a 3.5% stake in the Life Insurance Corporation of India (LIC) through an IPO, raising approximately ₹20,500 crore and constituting the majority of that year's total disinvestment receipts. Billed as India's largest-ever IPO at the time, the LIC listing represented a landmark instance of minority disinvestment of a large financial institution rather than strategic sale, and the government has since continued to hold a large majority stake, which regulatory norms require it to progressively reduce.

F. Stalled and Delayed Transactions

A defining feature of the post-2019 period has been the persistence of delayed or abandoned strategic transactions. The privatisation of Bharat Petroleum Corporation Limited (BPCL), approved in November 2019 and initially targeted for completion in 2020-21, was ultimately withdrawn in 2022 after bidders exited, citing valuation concerns amid volatile crude prices. The strategic sale of IDBI Bank, cleared in 2021, has similarly experienced repeated delays related to regulatory approvals for prospective bidders and continues to extend across successive fiscal years. Other approved but unconcluded transactions have included the Shipping Corporation of India, Container Corporation of India (CONCOR), BEML, HLL Lifecare, NMDC Steel, and Vizag Steel. As of the Standing Committee on Finance's 2021 review, as many as 21 strategic disinvestment cases cleared since 2015-16 remained unconcluded, and subsequent years have added further transactions to this backlog.

Sectoral Trends

Disinvestment activity since 2015 has been concentrated in a few sectors. Energy and petroleum CPSEs (Coal India, ONGC, HPCL, NLC India, NHPC, SJVN) have contributed a large share of OFS-based receipts, reflecting both their scale and their frequent listing status. The financial sector has produced the two largest individual transactions of the period — the LIC IPO and the still-pending IDBI Bank sale — alongside repeated stake dilution in public sector banks. Transport has generated the single largest true privatisation (Air India), while infrastructure-linked CPSEs (RVNL, IRCON, IRFC, Cochin Shipyard) have been used for smaller, more routine OFS transactions in recent years. Manufacturing and mining

CPSEs slated for privatisation, such as BEML and NMDC Steel, have seen limited progress, underscoring that sectors requiring genuine change of management control have proved far harder to execute than routine minority stake sales in listed, profit-making CPSEs.

Emerging Trend: Asset Monetisation

Since 2021, the government has increasingly positioned asset monetization- the leasing or securitisation of operating public infrastructure assets such as roads, transmission lines, and pipelines through instruments including Infrastructure Investment Trusts (InvITs) - as a complementary, and in recent budgets a more prominent, source of non-debt capital receipts alongside conventional disinvestment. From 2024-25 onward, the government has reported disinvestment and asset monetisation receipts together under "Miscellaneous Capital Receipts," with asset monetisation contributing a growing share; for instance, in 2025-26, asset monetisation receipts of approximately ₹28,420 crore exceeded disinvestment receipts of ₹16,886 crore. This shift suggests a strategic recalibration in which the government is diversifying away from equity sale as the sole route to public asset value realisation, partly in response to the persistent shortfalls documented in Table I.

Comparative Analysis of Disinvestment Modes

Table II compares the principal modes of disinvestment used since 2015 across indicators of revenue contribution, management control transfer, execution speed, and market sensitivity.

TABLE-2
COMPARATIVE ANALYSIS OF DISINVESTMENT MODES, 2015–2026

Mode	Revenue Contribution	Transfer of Control	Execution Speed	Market Sensitivity
ETF (CPSE-ETF, Bharat 22)	High (2015-21)	No	Fast	High
Offer for Sale (OFS)	Moderate-High	No	Fast	High
Initial Public Offer (IPO)	High (episodic)	No	Moderate	Very High
Buyback	Low	No	Fast	Low
Strategic Sale (CPSE-to-CPSE)	Moderate	Partial	Slow	Low
Strategic Sale / Privatisation (to private buyer)	Low (rare)	Yes	Very Slow	Moderate
Asset Monetisation (InvIT route)	Growing	No (usufruct only)	Moderate	Moderate

(Source: Department of Investment and Public Asset Management (DIPAM), "Disinvestment Policy," Ministry of Finance, Government of India. [Online]. Available: <https://dipam.gov.in>)

Challenges in Disinvestment Since 2015

A few major Challenges are discussed well in the following lines.

A. Valuation Disputes

Disagreements over enterprise valuation, particularly for asset-heavy or debt-laden CPSEs, have repeatedly delayed or derailed transactions, as illustrated by the withdrawn BPCL privatisation amid volatile crude oil prices.

B. Regulatory and Procedural Delays

Multiple approval layers spanning administrative ministries, NITI Aayog, DIPAM, the Alternative Mechanism, and the CCEA, combined with sector-specific regulatory clearances (for example, banking licence approvals for IDBI Bank bidders), have extended transaction timelines well beyond initial targets.

C. Market Volatility

Heavy reliance on capital-market routes (ETFs, OFS, IPOs) makes receipts highly sensitive to prevailing equity market conditions, as evidenced by the sharp shortfall in 2020-21 amid pandemic-induced volatility.

D. Political and Labour Sensitivities

Strategic privatisation, particularly of large employers or enterprises with strong public-sector unions, continues to face political resistance and employee opposition, contributing to the slow pace of genuine ownership transfer relative to minority stake sales.

E. Narrow Buyer Pool

Several nominally "strategic" transactions of this period, including HPCL-ONGC and REC-PFC, involved one CPSE acquiring another rather than a private strategic buyer, reflecting a shallow pool of private bidders willing to take on regulatory and operational complexity in certain sectors.

Discussion

The evidence reviewed in this paper indicates that Indian disinvestment policy has undergone substantial institutional maturation since 2015, moving from an ad hoc approach to a codified strategic and non-strategic sector classification under the 2021 PSE Policy. However, policy architecture has consistently outpaced execution. Actual receipts have fallen short of budget estimates in nine of the eleven years reviewed, and the government has responded by progressively lowering its targets rather than accelerating transaction completion. The composition of receipts also suggests that easily executable minority stake sales through ETFs, OFS, and IPOs have substituted for the more difficult, but arguably more transformative, strategic privatisation of loss-making or debt-laden CPSEs. The Air India transaction stands out as a genuine exception, demonstrating that privatisation with full management transfer remains achievable under the right conditions of political commitment and buyer interest. The recent emphasis on asset monetisation further suggests that the government is diversifying its non-debt capital receipt strategy rather than depending on disinvestment alone.

Future Research and Policy Directions:

The government of India can be considering the following research and policy Directions in the future course of action of disinvestment process.

- Development of a transparent, time-bound transaction pipeline with clearly sequenced regulatory approvals to reduce the multi-year delays seen in IDBI Bank and other pending sales.
- Greater reliance on independent valuation mechanisms to reduce disputes and bidder withdrawal, particularly for asset-heavy or leveraged CPSEs.
- Continued expansion of asset monetisation as a complementary, lower-friction revenue instrument alongside equity disinvestment.
- More realistic, data-driven target-setting that reflects historical execution capacity rather than aspirational fiscal requirements.

- Greater transparency in DIPAM reporting to enable more granular tracking of strategic versus minority disinvestment outcomes.

Conclusion

Disinvestment in India since 2015 reflects a period of significant policy consolidation, anchored by the 2016 Disinvestment Policy and the 2021 New PSE Policy for Atmanirbhar Bharat, alongside the institutional strengthening of DIPAM. Despite this architecture, actual receipts have persistently trailed budget targets, with genuine strategic privatisation exemplified almost singularly by the Air India–Tata transaction remaining the exception rather than the rule amid a landscape otherwise dominated by ETF, OFS, and IPO-based minority stake sales. The recent moderation of targets and the growing role of asset monetisation indicate an evolving, more pragmatic approach to public asset value realisation. Sustained progress will depend on the government's ability to translate its stated strategic-sector policy into concluded transactions, backed by predictable regulatory timelines, credible valuation processes, and continued political commitment.

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