BHARAT SCHOOL OF BANKING

Disinvestment

Investment can be thought as the **conversion** of **money** into **securities / assets** (you **invest** in some company, means you use your **money** to **buy** some **security**, like **shares, bonds, debentures**, etc.)

Conversely, **Disinvestment** can be thought as the **conversion** of **securities / assets** into **money**.

Generally, **disinvestment** is the **action** of an **organization,** or **government, selling** its **asset** (may be **shares**, or **stocks,** or any other **security**) or its **subsidiary**. In return, the **organization** or **government** gets, or raises **money**, which it can use for other purpose.

Example

Currently, the **government** sold **63.16 crore shares** (**10 % stake**) of **Coal India Limited (CIL)** on **January 30, 2015,** reducing **government stake** in **CIL** to **79.65 %** (from **89.65 %**). By this **disinvestment,** government **raised Rs. 22,558 crore**. (meaning, government sold some of its **shares**, and raised **money** against it)

Why Disinvestment by government?

- Financing the **fiscal deficit** (to reduce it)
- Financing **large-scale infrastructure development**
- To reduce **government debt**
- Any other **purpose**