The government in business

India, like the Chinese and Singapore governments, can earn much more from government investments

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The Government of Singapore Investment Corporation (GIC) invests internationally in equities. It owned shares worth about ₹1.09 lakh crore at the end of March 2022 in India alone. Around the world, GIC investments amount to about ₹55 lakh crore. GIC is the eight largest wealth management fund in the world. The money doubled in real terms in the last 20 years. This money is also used by the government for public welfare. Another arm of the Singapore government, Temasek Holdings, has investments worth ₹22 lakh crore. Their investments dwarf some aspects of the Indian economy itself: the Indian government's budget expenditure for 2022-23 is ₹39.45 lakh crore. The Singapore government's investments are many times that.

China is doing the same. The Municipal Government of Hefei invested $787 million to acquire a 17% stake in Nio's core business and shortly after that exited making a profit of 5.5 times its investment. By 2017, Chinese government-owned companies had invested ₹67.5 lakh crore in overseas companies. This is about 27% of India's GDP.

Only disinvestment

Meanwhile, in India, we are disinvesting. The total market value of Indian government holdings is only ₹13 lakh crore, far less than China or even Singapore. Overseas holdings through these companies is negligible. The Navratna PSUs are performing well, but are being sold. Instead, can they invest overseas and increase their wealth as China is doing? In China, one company, the China National Petroleum Corporation, has assets of over $600 billion. There is no move there to disinvest. Perhaps the Chinese government wants to use the economic clout of its PSUs for its global ambitions. As China increases its global influence, India is bartering away one source of such influence – its ability to invest overseas and create greater economic clout.

The prevailing ideology that the government has no business to be in business is used to justify disinvestment. The real reason is the growing government deficit. Some key corporate investors are waiting in the wings to gain full control of India's natural resources through these disinvestments. It is like killing the goose that laid the golden eggs. For instance, the total dividend earned by the Indian government through PSUs is ₹50,000 crore. If India learns from the Chinese and Singapore governments, it can earn much more from government investments as well. India uses a western ideology about government-owned companies, but forgets that what the West preaches is for others and what it practices is in national self-interest. The world's list of top asset-holding PSUs includes the U.S., Israel and the European Union counties. But there are none from India.

India has allowed the baggage of inefficient PSUs to cloud its thinking. While the smaller and loss-making ones need to be disinvested, the profitable ones can be reformed. The only problem in India is archaic rules governing PSUs and political interference. There is excellent talent in the PSUs. Other talent from the private sector can also be brought in. Salaries for key top personnel should be in line with worldwide best practices, along with real accountability. The success of enterprises and startups shows that there is abundant managerial talent, which needs to be harnessed in national interest.

Learning lessons

If we avoid the smoke screen of ideology, there are many reasons for learning from other countries, notably Singapore. The first is national and public interest. The source of wealth has shifted from land to natural resources, to the industrial sector and now to the knowledge economy. Assets are largely in the financial markets today. There is enough and more wealth to be made there as wealth funds, well-known international investors and some other governments around the world are doing. If the Indian government invests like Singapore, that will give it much more funds than disinvestment ever can. Meanwhile, ownership remains intact. A few caveats are required. Singapore invests in long-term assets, and does not take risky decisions. Another powerful reason is managing government finances. India is raising taxes by the week, especially on diesel and petrol. The only avenue for revenue generation seems to be taxes. However, markets, wealth management and dividends are not explored. If markets create wealth, why can't the government create it and use it for creating prosperity for the public?

India is capable of doing this if we look for talent from our financial markets rather than from the government only. The example from the 1980s in telecom, recent examples of Aadhaar, and the creation of a government platform called ONDC to increase marketing power of ordinary kirana stores shows how private sector talent can be harnessed for public good. There are well-known entrepreneurs and wealth managers in the stock markets. The government can surely use their talent for the greater public good.

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