

AN ABSTRACT: THE FINANCIAL AND OPERATING PERFORMANCE OF DISINVESTED CENTRAL PUBLIC SECTOR UNDERTAKINGS: 1999-2005

During 1999-2005 about Rs. 325,916 million was realised through disinvestment of Government's equity in 14 Central Public Sector Undertakings. Most of them were profit-making companies. In the period 1991-1999, the sale of minority shares in about 41 PSUs had realised Rs. 166,225 million. The literature on disinvestment, particularly on the post-disinvestment performance, points out that there are conflicting evidences regarding the nature of its impact on the financial and operating performance of undertakings.

The Research focussed on the impact on the financial and operating performance of the disinvested Central Public Sector Undertakings (CPSUs) and on the levels of employment in these undertakings after disinvestment. The financial statements of the following undertakings have been analysed: VSNL & HTL (Telecom sector), CMC (computers/software sector) IPCL (Petrochemicals sector), IBP (Petroleum marketing sector), BALCO, HZL (mines & metal sector), PPL (Fertiliser sector), Lagan Jute Machinery (machinery sector) and MFIL (food products sector)

The financial and operating performance of ten disinvested PSUs were studied with the help of a set of measures viz., profitability ratio, efficiency ratio, leverage ratio, governance ratio, Altman's Z score, labour ratio, and Tobin's 'q' (in case of listed companies). The measures do not indicate a uniform and consistent pattern.

The calculated values of the Wilcoxon signed two tailed tests were compared with the tabulated values of the Student's *t* distribution table at 5 %, 10 %, and 20 % levels of significance. The results of the tests indicated that taking all the ten disinvested PSUs together, the difference in the values of various measures between the pre-disinvestment and post-disinvestment median values were statistically insignificant. In other words, the difference in the financial and operating performance of PSUs, before and after disinvestment was statistically insignificant.

Even when the ten disinvested PSUs were categorised thrice into two groups based on whether they were listed or non-listed, whether Government was the major buyer of their products, and whether the level of competition in their respective industries was high or low, the disinvested undertakings grouped thrice as per the three characteristics stated above did not show any statistically significant differences in their median values, pre and post disinvestment, of their financial and operating performance.