

A Study on The Disinvestment in The Changing Environment of Public Enterprises – Bharat Petroleum Corporation Limited

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Abstract— The current wave of Disinvestment/Privatization has come after a long period that was characterized by nationalisation and growth in the size of the public sector in the economics worldwide. There have been some studies that compare organizational structure and functioning of PEs with private enterprises multinationals and enterprises owned by large business houses. The difference in the goals and priorities are as perceived by the top management of the different enterprise and the respective style of functioning have been examined in these studies. The general conclusion drawn in these studies are that the meeting of national priorities.

I. INTRODUCTION

The ideological debate on privatization has evolved substantially in response to the growing globalization of the economy and end of confrontation between socialist and capitalist models of development. This narrowing has resulted in a more pragmatic approach to economic reforms, of which privatization forms apart. Due to globalization there has been a growing investor interest in developing countries. This has resulted in a flow of foreign investment to these countries.

The problems which are pertain to Public Enterprises in India. Their interest, in the management of public sector in India stems from their concern regarding the conditions of repayment of financial assistance given to India, redundancy of surplus manpower in public enterprises, disinvestment etc.

A government-owned enterprise in India is called a Public Sector Undertaking (PSU) or a Public Sector Enterprise. These companies are wholly or partly owned by the Government of India or one of the many state or territorial governments or both together in parts. The officers working for these entities and their subsidiaries are gazetted officers. The employees

subordinate to the officers working for these respective entities and their subsidiaries are full-fledged government employees. The company stock is majority-owned by the government in a PSU. PSUs are classified as Central public sector undertakings (CPSUs, CPSEs) which are wholly or partly owned by Government of India or State Level public sector undertakings (SLPSUs, SLPSEs) which are wholly or partly owned by state or territorial governments. In 1951, there were just 5 enterprises in the public sector in India, but in March 2019 this had increased to 348. These enterprises represented a total investment of about Rs.16.41 lakh crore as on 31 March 2019. The total paid-up capital as of 31 March 2019 stood at about Rs.2.76 lakh crore. CPSEs have been earned revenue of about Rs.25.43 lakh crore during the financial year 2018–19.

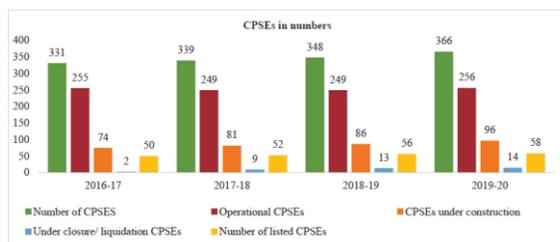
Brief history of the Public Enterprises (PE)

Prime Minister Jawaharlal Nehru promoted an economic policy based on import substitution industrialisation and advocated a mixed economy. He believed that the establishment of basic and heavy industry was fundamental to the development and modernisation of the Indian economy. India's second five year plan (1956–60) and the Industrial Policy Resolution of 1956 emphasized the development of public sector enterprises to meet Nehru's national industrialisation policy. His vision was carried forward by Dr. V. Krishnamurthy known as the "Father of Public sector undertakings in India". Indian statistician Prasanta Chandra Mahalanobis was instrumental to its formulation, which was subsequently termed the Feldman–Mahalanobis model.

The major consideration for the setting up of PSUs was to accelerate the growth of core sectors of the economy; to serve the equipment needs of strategically

important sectors, and to generate employment and income. A large number of "sick units" were taken over from the private sector. Additionally, Indira Gandhi's government nationalised fourteen of India's largest private banks in 1969, and an additional six in 1980. This government-led industrial policy, with corresponding restrictions on private enterprise, was the dominant pattern of Indian economic development until the 1991 Indian economic crisis. After the crisis, the government began dis-investing its ownership of several PSUs to raise capital and privatise companies facing poor financial performance and low efficiency. The Estimates Committee in its 73rd Report (2nd Lok Sabha) in Financial Year 1959-60 recommended that in addition to the separate annual report of each enterprise submitted on the Table of both Houses of Parliament, there should be a separate detailed report highlighting the performance of CPSEs. The Bureau of Public Enterprises under the Ministry of Finance (now Department of Public Enterprises in the Ministry of Finance) drafted the first Public Enterprises Survey in Financial Year 1960-61. This report depicted the working of all the CPSEs using key financial and operational parameters.

Over the past decade (Financial Year 2009-10 to Financial Year 2019-20), the number of operating CPSEs increased from 217 to 256. During the same period, the turnover of all CPSEs increased from Rs.12.4 lakh crore in Financial Year 2009-10 to Rs.24.6 lakh crore in Financial Year 2019-20, witnessing an absolute increase of 98.4%. The corresponding Net Profit made by all the profit-making CPSEs has remained range-bound between Rs.1.0 lakh crore and Rs.1.4 lakh crore over Financial Years 2010- 2020.



Highlights of PE

The number of CPSEs falling within the scope of this year's PE Survey as on March 31, 2020 is 366, of which 256 are operating CPSEs, 96 are CPSEs Under

Construction, and the rest are under closure/liquidation. Of these, 58 are listed CPSEs with a total Market Capitalisation of Rs.8.2 lakh crore, representing approximately 7.2% of the total Market Capitalisation. The financial highlights of the PE Survey 2019-20 have been provided in below:

Financial highlights of PE Survey 2019-20

Total Paid-up Capital in all CPSEs was Rs.3,10,737 crore as on March 31, 2020 as against Rs.2,74,652 crore as on March 31, 2019, recording a growth of 13.1%.

Total Financial Investments in all CPSEs was Rs.21,58,877 crore as on March 31, 2020 against Rs.17,82,878 crore as on March 31, 2019, recording a growth of 21.1%.

– Among sectors, Services sector had the highest investments accounting for 66% of outstanding Financial Investments in CPSEs, followed by Manufacturing, Processing & Generation (25%), and Mining & Exploration (5%). The share of Agriculture was negligible.

– Among cognate groups, Financial Services accounted for 42% of the outstanding Financial Investments followed by Power Generation with 15%, Trading and Marketing with 10% and Power Transmission with 7%. The share of other cognate groups was comparatively lower.

Capital Employed in all CPSEs was Rs.31,16,455 crore as on March 31, 2020 against Rs.27,80,247 crore as on March 31, 2019, showing a growth of 12.1%.

Total Gross Revenue from Operations of operating CPSEs during Financial Year 2019-20 was Rs.24,61,712 crore as against Rs.25,45,697 crore in Financial Year 2018-19, showing a decrease of 3.3%.

– This decline in Financial Year 2019-20 was largely due to the Petroleum (Refinery & Marketing), Crude Oil, and Other Minerals & Metals cognate groups.

– Among the sectors, Manufacturing, Processing & Generation sector continues to command the highest share followed by Services, and Mining & Exploration.

Review of Literature - Disinvestment

There has been a spate of studies on the question of pricing in PEs. A number of such studies starting in the early 60s revolved round the question of how public enterprises in monopoly position should price their products with due regard to both social and

commercial considerations. Mention may be made in this context of a study done by Geeta Gouri and T.L Sankar at IPE on pricing of petroleum products, which discusses the equity and distribution objective and the extent to which these are obtained in the current pricing of petroleum to which these are obtained in the current pricing of petroleum productions. In this context government policies on pricing in PEs are set out in the Annual Survey of public Enterprises prepared by the Bureau of Public Enterprises (BPE) in addition, there exist a number of official committee reports in pricing in PEs like the K.N Raj Committee on steel prices, Coal Pricing Revision Committee as well as the reports of the Bureau of industrial Costs and Prices (BICP) unfortunately some of these reports are not readily available with the researches.

There are many studies on organizational changes and organizational development related to PEs. Bhat's case study on Swaraj Tractors highlights the need for changing the institutional structures to bring about greater commitment of top management. Krishnamurthy has narrated the experience of BHEL during the change. He emphasize the need for encouraging creativity in bringing about changes in organizational changes in the context of "turn-around strategies. The Boards of PEs have been researched extensively, especially their role, composition and size have been studied by a large number of researchers. An edited volume brought out by S.K. Chakaborty discusses different aspects of the Boards of management of PEs. According to Chakaborty, Boards of PEs should be autonomous and business like in developing strategies, measuring and improving upon the PE performance.

Laxmi Narin in his work on managerial compensation and motivation in public enterprises discusses the basic question of managerial motivation which is the basis of efficient management. In his work, he analyses the factor which influence the morale and motivation of PE managers. The work contains a descriptive account of the fringe benefits and a brief comparison of the levels of compensation between public and private enterprise. Laxmi Narain in his work on Board of Directors of PEs, has also studied in-depth the role of boards of PEs with particular focus on the role of the government directors.

Singh & Bhattacharya discusses some crucial aspects of management in public enterprises. It covers vital aspects such as financial management of public sector undertakings, the operation of cooperatives, turnaround strategies for sick enterprises, the system of incentive and discipline in these units and the role of lab our in both effective management and optimal productivity. Bishwanath studies the theoretical and practical aspects of production in public entries.

Studies on corporate planning are conspicuous by their absence. In this area IPE has, in collaboration with BPE. This study by K.S. Baht notes that while there is an urgent need to do corporate planning in PEs, many PEs needs to be educate in this regard. Prajapathi Trivedi in his book which was a critique of PE policy, analyzed various aspects of PE policy. He had discussed at length the various issues relating to performance evaluation of PEs and a meaningful discussion on the comparative performance of public and private enterprises.

The issue of autonomy and. accountability of PEs has been studied by various experts. A pioneering work by Laxmi Narain & B S Murthy on PE and fundamental rights, discusses a new dimension of public accountability of PEs. The book examines the impact of public of Supreme Court decision by which autonomy government corporations and companies are treated as "State" as defined in Article 12 of the Indian Constitution and are thus subject to the writ jurisdiction of the courts for enforcement of fundamental rights against them. The book presents many facets of the theory and implications of extending the writ jurisdiction to autonomous public enterprise in their day to day functioning.

V.V. Ramanadham in his work on PE privatization brings in thought provoking discussion on development, and the role of United Nations with which he was associated for 25 years offering advice to developing countries on PE and privatization. He analyses uniquely the current trends in privation in this volume. RK Mishra, & KS Baht, in their recent publication on privatization and the Indo – Inexperience, has made a comparative study of the process in the two countries. RK Mishra & B Navin in their recent publication has made an in depth study on the restructuring of SLPEs in Madhya prudish.

A Historical Perspective

For the first four decades after Independence, the country was pursuing a path of development in which the public sector was expected to be the engine of growth. However, the public sector overgrew itself and its shortcomings started manifesting in low capacity utilisation and low efficiency due to over manning, low work ethics, over capitalisation due to substantial time and cost over runs, inability to innovate, take quick and timely decisions, large interference in decision making process etc. Hence, a decision was taken in 1991 to follow the path of Disinvestment.

Period from 1991-92 - 2000-01

The change process in India began in the year 1991-92, with 31 selected PSUs disinvested for Rs.3,038 crore. In August 1996, the Disinvestment Commission, chaired by G V Ramakrishna was set up to advice, supervise, monitor and publicize gradual disinvestment of Indian PSUs. It submitted 13 reports covering recommendations on privatisation of 57 PSUs. Dr R.H.Patil subsequently took up the chairmanship of this Commission in July 2001. However, the Disinvestment Commission ceased to exist in May 2004.

The Department of Disinvestment was set up as a separate department in December, 1999 and was later renamed as Ministry of Disinvestment from September, 2001. From May, 2004, the Department of Disinvestment became one of the Departments under the Ministry of Finance.

Against an aggregate target of Rs. 54,300 crore to be raised from PSU disinvestment from 1991-92 to 2000-01, the Government managed to raise just Rs. 20,078.62 crore (less than half). Interestingly, the government was able to meet its annual target in only 3 (out of 10) years. In 1993-94, the proceeds from PSU disinvestment were nil over a target amount of Rs. 3,500 crore.

The reasons for such low proceeds from disinvestment against the actual target set were:

- Unfavourable market conditions
- Offers made by the government were not attractive for private sector investors
- Lot of opposition on the valuation process
- No clear-cut policy on disinvestment

Strong opposition from employee and trade unions

Lack of transparency in the process

Lack of political will

This was the period when disinvestment happened primarily by way of sale of minority stakes of the PSUs through domestic or international issue of shares in small tranches. The value realized through the sale of shares, even in blue chip companies like IOC, BPCL, HPCL, GAIL & VSNL, however, was low since the control still lay with the government.

Most of these offers of minority stakes during this period were picked up by the domestic financial institutions. Unit Trust of India was one such major institution.

Period from 2001-02 - 2003-04

This was the period when maximum number of disinvestments took place. These took the shape of either strategic sales (involving an effective transfer of control and management to a private entity) or an offer for sale to the public, with the government still retaining control of the management. Some of the companies which witnessed a strategic sale included:

- Bharat Aluminium Co. Ltd.
- Cmc Ltd.
- Hindustan Zinc Ltd.
- Hotel Corp. Of India Ltd. (3 Properties: Centaur Hotel, Juhu Beach, Centaur Hotel Airport, Mumbai & Indo Hokke Hotels Ltd., Rajgir)
- Htl Ltd.
- Ibp Co. Ltd.
- India Tourism Development Corp. Ltd. (18 Hotel Properties)
- Indian Petrochemicals Corp. Ltd.
- Jessop & Co. Ltd.
- Lagan Jute Machinery Co. Ltd.
- Maruti Suzuki India Ltd.
- Modern Food Industries (India) Ltd.
- Paradeep Phosphates Ltd.
- Tata Communications Ltd.

The valuations realized by this route were found to be substantially higher than those from minority stake sales.

During this period, against an aggregate target of Rs. 38,500 crore to be raised from PSU disinvestment, the Government managed to raise Rs. 21,163.68 crore.

Period from 2004-05 - 2008-09

The issue of PSU disinvestment remained a contentious issue through this period. As a result, the disinvestment agenda stagnated during this period. In the 5 years from 2003-04 to 2008-09, the total receipts from disinvestments were only Rs. 8515.93 crore.

2009-10-2019-20

A stable government and improved stock market conditions initially led to a renewed thrust on disinvestments. The Government started the process by selling minority stakes in listed and unlisted (profit-making) PSUs. This period saw disinvestments in companies such as NHPC Ltd., Oil India Ltd., NTPC Ltd., REC, NMDC, SJVN, EIL, CIL, MOIL, etc. through public offers.

However, from 2011 onwards, disinvestment activity slowed down considerably. As against a target of Rs.40,000 crore for 2011-12, the Government was able to raise only Rs.14,000 crore. However, the subsequent years saw some improvement and the Government was able to raise Rs. 23,857 crore against a target of Rs. 30,000 crore (Revised Target : Rs. 24,000 crore) in 2012-13 and Rs. 21,321 crore against a target of Rs. 54,000 (Revised Target : Rs. 19,027 crore) in 2013-14. The achieved target dropped to Rs. 24,338 crore against a target of Rs. 58,425 crore in 2014-15. In 2015-16 the Government was able to raise Rs. 32,210 crore against a target of Rs. 69,500 crore (Revised Target : Rs. 25,312 crore) and Rs. 46,378 crore against a target of Rs. 56,500 (Revised Target : Rs. 45,500 crore) in 2016-17. In 2017-18, some steep improvement was seen and the Government was able to raise Rs. 1,00,642 crore against a target of Rs. 72,500 crore (Revised Target : Rs. 1,00,000 crore) and Rs. 85,063 crore against a target of Rs. 80,000 in 2018-19.

Further, the achieved target dropped to Rs. 49,828 crore against a target of Rs. 90,000 crore (Revised Target : Rs. 1,05,000 crore, further the Target Revised downward to Rs.65,000 crore) in 2019-20.

2020-21 onwards

The NDA Government has set an ambitious disinvestment target of Rs. 2,10,000 crore. As such, 2020-21 is likely to see some big ticket disinvestments taking place.

Studies on privatization can be divided into two streams in terms of their level and goal of analysis. The first stream, originating primarily with economists and policy analysts, focuses on macro level governmental policies and environmental factors that affect privatization. Their research focuses on evaluating the success of privatization in terms of efficiency gains at the aggregate level and impact on social welfare (e.g. Boubakri and Cosset, 1998). Another stream relatively new as compared to the previous one, developing rapidly and accumulating valuable literature from both empirical and theoretical perspectives is the research led by the management and organizational scholars. Their research examines how privatization affects firm resources, capabilities, strategy and performance e.g. (De Castro and Uhlenbruck, 1997; Doh, 2000; Filatotchev et al 2001). Empirical studies use data from former communist and developing economies. Most samples are from a single country (e.g., Child and Lu, 1996, Soulsby and Clark, 1996, Filatotchev et al 2001). Relatively fewer studies use multiple – country samples (e.g. De Castro and Uhlenbruck, 1997). In general, the empirical studies have found that macro factors, such as environmental change, state policy (conditions for SOE sales), and country characteristics (developed, less-developed, or former communist countries) affect privatization and in turn, firm strategies and operations. Depending on their resources and capabilities, firms respond to privatization differently and also perform differently after privatization (e.g., Child and Lu, 1996, De Castro and Uhlenbruck, 1997). However, empirical studies on the effectiveness of different privatization policies and methods have generated conflicting results. This may be due to lack of high-quality and representative data and the lack of theories (De Castro and Uhlenbruck, 1997; Doh, 2000).

In Russia, the designers of the privatization plans hoped that by giving shares to workers and managers, workers would sell their shares to outsiders to assure outsider control. In practice, this has not happened yet

and managers in many firms are preventing workers from selling their shares (Earle, Frydman and Rapaczynski, 1993).

The existence of distinct institutional environment (underdeveloped stock Market, so valuation of the firms is difficult, diverse (social) objective, multiple stakeholders) in former socialist economies limits the transferability of Western business strategies and organizational concepts (Peng, 2000; Hoskisson, Eden, Lau & Wright, 2000).

So this study on the wider distribution of PSE shares in the capital market in India that has a well-developed stock market, other institutional frame work and the regulatory mechanisms will ensure positive economic growth.

In this context, Kikeri and Nellis (2002) indicate that, in Morocco for instance, the new owners of a cement company decided to keep all the employees without making any changes, although the estimates indicate that the surplus labour in this company may have exceeded 8%. The new managers indicated that the extra workers were expected to be useful soon as a result of new plans that would expand the business. However, the managers declared that, were the company to face any difficulties or problems in marketing, it would renegotiate the deal with the government. This means that the ability of private companies to solve the problem of surplus labour is limited and requires the availability of certain conditions, which may not be easily available. Thus it seems clear that these arrangements may also affect the speed of the restructuring of employment in privatised companies, which could affect their competitiveness and efficiency after privatisation. Therefore, governments should intervene and not leave the issue of lay-offs entirely in the hands of the new owners from the private sector, as this might create serious problems such as delays in privatisation, negative effects on competition or lack of efficiency of privatised enterprises (Kikeri, 1998; Kikeri and Nellis, 2002).

Kikeri and Nellis (2002) indicate that in India, for example, according to the voluntary departures programme, labour unions asked for five years salary as compensation for dismissed workers over the age of

40 who had worked for at least 20 years; other countries such as Sri Lanka have offered compensations and incentives close to this amount. Moreover, Kikeri (1998) mentions that the Pakistani government applied a voluntary departure package and offered a more generous proposal: the severance pay for laid-off workers was the equivalent of five months' salary for each year of service.

Rama (1999) and Kikeri and Nellis (2002) indicate that the early retirement programme could also cause financial problems and an unsustainable burden on the social security system, which is usually already exhausted. Therefore, it is important to coordinate this programme with parallel reforms in the pension system. When pension funds are insolvent, the employees are less likely to retire early for fear of a lack of regularity and stability in their pensions after retirement. To resolve this problem within the privatisation programme, many countries have worked to create separate funds for pensions, which are managed by private sector companies. These funds are financed by contributions from businesses, employees and the state in order to be able to pay the pensions of staff who have been referred for early retirement (Kikeri, 1998).

Then, the whole market can be served by only one firm or supplier at a lower cost than any combination of two or more firms (Mankiw, 2008; Baumol and Blinder, 2009). It is consequently less costly to society to have production provided by one company than by many. The best examples of natural monopolies are the infrastructure companies such as electricity, gas, water and railway companies. For example, rather than having three companies in any monopolistic sector, be it electricity, gas or railways, laying separate grids or networks of cables, pipes or rail where one would do, it might be more efficient to give just one firm a monopoly subject to effective regulation of such matters as prices and access to the network (Sloman and Wride, 2009). The operation of natural monopoly companies, similar to any other monopoly, will result in several problems such as output reduction, increasing prices, and income transference from consumers to producers or monopolistic companies (Baldwin and Cave, 1999). Therefore, competition laws are not the proper reaction in the case of natural monopolies as competition might be socially costly;

thus, regulation of prices, quality and access could be a better solution.

To address and avoid problems associated with privatised natural monopolies and protect consumers from high prices and low-quality products or services, several arrangements can be adopted during the implementation of the privatisation process.

Breaking up, or “unbundling” of large monopoly companies may be an appropriate way to promote competition in some sectors. For example, the electricity sector is likely to be divided into generation, transmission, distribution, and retail electricity suppliers; the private sector is then encouraged and supported to privatise these unbundled companies to improve their performance and efficiency (Zhang et al., 2008). Although the unbundling policy could lead to positive results in some cases, development of a regulatory mechanism to prevent the disadvantages of monopolies and to protect consumers is still required, especially in sectors which are still monopolised by one or a few companies such as water and sewage, as well as networks and grids of railways, gas and electricity sectors (Kirkpatrick et al., 2006; Sloman and Wride, 2009). For the proper implementation of this mechanism, independent or quasi-independent sectoral regulatory bodies should be established, rather than having direct regulation by government departments (Zhang et al, 2008).

Braeutigam and Panzar (1993) indicate that particular systems have been adopted by regulatory bodies to regulate monopolies, such as rate-of-return and price cap systems.

Dabrowski (1996) suggests that the importance of this policy derives from the need to eliminate price distortions produced by the policies of price subsidies and price restriction in many countries, especially those that were seeking to achieve social objectives at the expense of economic goals. Moreover, he indicates that the policy of deregulating prices would reduce subsidies and tax exemptions, which is a preliminary condition for eliminating the budget deficit on the one hand, and increasing the opportunity to create a competitive business environment in the economy on the other. Furthermore, a free price system set by market forces (demand and supply) is not only an

essential element of real competition, but also has a significant effect in stimulating the private sector and increasing its willingness and capability to invest and compete in the market (Dabrowski, 1996; Kikeri and Nellis, 2002).

Gupta et al. (1999) indicate that some may criticise this policy on the pretext that it may negatively affect consumer welfare, in that deregulating prices of goods and services, particularly subsidised ones, will increase prices in the market; consequently consumers who are benefiting from the subsidy will be affected. In other words, the living standards of poor segments of society, who are supposed to be beneficiaries of the subsidies, will be adversely affected as a result of higher prices and lower subsidies. In response to this argument, they believe that, in many developing countries with weak regulatory bodies and the presence of corruption, the access of poor segments to these products is limited in reality, and thus the real beneficiaries are the wealthy class. Moreover, there are several options that could be employed to resolve this issue; the first option is to reduce the subsidies gradually to give consumers time to adjust, while the second is to provide limited subsidies such as food stamps; another option is to use cash transfers instead of price reductions. The most important point is that, in any case of subsidies mentioned above, social benefits must be dedicated only to the poor in society (Gupta et al., 1999).

Many studies, however, have proved that the continuity of SOEs privatisation could be an important source of stock market development, albeit rudimentary (see, for example, Megginson and Boutchkova, 2000; Boubakri and Hamza, 2007; Bortolotti et al., 2006;

Perotti and Oijen 2001; Tanko, 2004). In this context, McLindon (1996), Lieberman and Fergusson (1998) and Boubakri and Hamza (2007) indicate that there are several conditions that must be provided to strengthen stock markets and increase their ability to play an important role to foster the privatisation process and develop the private sector, such as providing an appropriate legal and regulatory framework, and developing an adequate trading infrastructure. It seems, therefore, clear that there is a direct correlation between the development of financial markets and privatisation objectives.

Therefore, many authors such as Gray (1993), Nellis (2007) and Parker and Kirkpatrick (2005) stress that this legal framework should be designed to include the following important aspects:

- The definition and protection of property rights, and a clear framework for the exchange of these rights;
- Rules for entry and exit of producers into and from production activities;
- Laws and regulations necessary to monitor the market and the behaviour of parties involved, in order to prevent monopolies and promote competition in the market.
- A capable and impartial public administration to enforce rules and laws enhancing competition in the economy.
- Independent or quasi-independent regulatory agencies, in order to regulate the private natural monopolies.

Research Methodology

Further, technology and W.T.O. commitments have made the world a global village and unless industries, including public industries do not quickly restructure, they would not be able to survive. Public enterprises, because of the nature of their ownership, can restructure slowly and hence the logic of privatization gets stronger. Besides, techniques are now available to control public monopolies like Power and Telecom, where consumer interests can be better protected by regulation / competition, and investment of public money to ensure protection of consumer interests is no longer a convincing argument.

Opening up the erstwhile public sectors to appropriate private investors would increase economic activity and have an overall beneficial effect on the economy, employment and tax revenues in the medium to long term.

In many areas, e.g., the telecom sector, the end of public sector monopoly would bring relief to consumers by way of more choices, and cheaper and better quality of products and services - as has already started happening.

We have obtained the data from the two corporate data base software “Prowess” by the Centre for Monitoring

Indian Economy (CMIE) , Money control, Equity Master and the “Capitaline” by the Capital Market.

The data on the number of investor account since the commencement of Demat trading at BSE, the average number of accounts opened per day and the presence of demat account holders in the country as supporting evidence to understand the increasing trend on investors preference to stock market investment have been culled out from the web sites of the Bombay Stock Exchange (BSE).

A comparative analysis on the relative performance of the returns from selected candidate shares with the Market, the Sector and the competitive companies in the private sector; the impact of the GOI’s decision to hold all disinvestment issues on the stock market; the factors that impedes the privatization programme from a range of stock market performance indicators (adjusted daily closing price, the market index (BSE Sensex) and the sector index (BSE PSU), the daily market capitalization, average traded quantity, average turnover, the share holding pattern) has been computed from April 1, 2014 to March 31,2020.

Use of the statistical tools - correlation and regression analysis to establish the relationship and the level of dependency of the return from selected candidate with other independent variables.

To avoid any multi collinearity problem between the independent variables, the correlation co-efficient between each of the independent variables has been computed. We found that except BSE Sensex (returns from market index) other independent variables are having significant associations between them. So we have dropped the BSE Sensex from our list of independent variables and ran a multiple regression analysis with the following Hypothesis:-

H0 - Null hypothesis	The changes in the returns from Selected PSE shares to a large extent are explained by the changes in the returns from BSE PSU and from the returns from the competitive firms in the same industry
H1 - Alternative	The changes in the returns from Selected PSE shares to a large

Hypothesis	extent are not explained by the changes in the returns from BSE PSU and from the returns from the competitive firms in the same industry
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Showcasing its pioneering spirit, the company introduced LPG as a cooking fuel to Indian homes in the mid-1950s. As always, it went beyond selling petroleum, educating customers and offering better services and products.

1 - Bharat Petroleum Corporation Ltd.

Bharat Petroleum Corporation Limited (BPCL) is a Government of India controlled Maharatna oil and gas company headquartered in Mumbai, Maharashtra. The Corporation operates two large refineries of the country located in Kochi and Mumbai. The company is India's 2nd largest downstream oil company and is ranked 275th on the Fortune list of the world's biggest corporations as of 2019. BPCL ranked 672 in the Forbes 2018 list.

Besides selling Bitumen, the company pioneered desert road construction and imparted training road engineers. It provided free technical services to industrial customers - big and small - and over time, this spirit of collaboration became part of company culture.

Table - Shareholding Pattern

BHARAT PETROLEUM CORPORATION LTD.

Statement showing shareholding pattern of the Promoter and Promoter Group

Category of shareholder	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (A+B+C2)	Number of equity shares held in dematerialized form
A1) Indian				0.00	
Central Government/ State Government(s)	1	1,14,91,83,592	1,14,91,83,592	52.98	1,14,91,83,592
President of India	1	1,14,91,83,592	1,14,91,83,592	52.98	1,14,91,83,592
Sub Total A1	1	1,14,91,83,592	1,14,91,83,592	52.98	1,14,91,83,592
A2) Foreign				0.00	
A=A1+A2	1	1,14,91,83,592	1,14,91,83,592	52.98	1,14,91,83,592
B=B1+B2+B3	223138	1020069152	1,02,00,69,152	47.02	99,80,57,999
Grand Total	2,23,139	2,16,92,52,744	2,16,92,52,744	100.00	2,14,72,41,591

Source - Prime database

The shareholding pattern of the BPCL as on 31st March, 2020 shows that the GOI is holding 52.98% (114.91crores) and others hold 47.02% (102.00 crores). Even here, the LIC, a GOI owned organization is holding around 12.10 Crores (5.58%) of shares. The BPCL Trust are holding (9.33%) 20.23 crores of

shares. Mutual Funds had 26.64 Crores (12.80 %). So, the only 4.49% (5.40 crores) of shares are in private hands.

The disinvestment decision of the GOI is primarily opposed on the ground that the current disinvestment

programme will pave way for future disinvestment to make it private. By divesting 10% (11.49 crores), the GOI still holds 42.98 per cent. The Government has also come out with a clear cut statement that it will bring down its equity below 50%.

Again the reform process in India is more than 25 years old and the experience and the lessons learned over the years have brought more and more transparency into the reform process and it is not that easy to make it private.

So the proposed disinvestment of 10% of GOIs equity holding in BPCL have been defended by the ruling party – the first to initiate the reform programme, the chamber of commerce and some academicians as this did not result in any retrenchment of labour nor the control of management been transferred and as such do not pose any real threat to become private.

All the above reasoning implies that BPCL may be an ideal candidate for disinvestment as this will increase the liquidity of the share in the capital market thereby enhances the market value.

Now, I selected Ideal Public Enterprises from different Seven Sectors. For comparing the selected PSEs I have to again taking top performing PSUs and Private Sector companies. Here I made table for comparing Selected PSUs and Other PSUs, Private Companies.

Table - Oil Sector - Comparing PSUs and Private Sector

Oil Sector	
Selected PSU	Comparing PSUs and Private Sector
Bharat Petroleum Corporation Limited	Indian Oil Corporation
	Hindustan Petroleum Corporation Limited
	ONGC
	Reliance

Source - Own data

IMPEDE THE DISINVESTMENT PROGRAM - Oil Sector

Table – Capital Market Indicators - Oil Sector
6 years Analysis from 01/04/2014 to 31/03/2020

Performance Indicators	BPCL	IOC	ONGC	HPCL	Reliance
Average Return %	14.06%	5.40%	-12.03%	16.14%	29.98%
Total Equity Shares in Nos. (Crs)	2,169,252,744	9,414,158,922	12,580,279,206	1,523,822,625	6,339,267,510
Shares for Trade in Nos.(Crs)	2,147,241,591	9,398,949,195	12,575,498,942	1,518,327,612	6,271,116,271
Shares for Trade in %	98.9853%	99.8384%	99.9620%	99.6394%	98.9249%
Avg Shares Traded	222676.4	437107.84	573289.73	287172.78	1406873.26
Traded Shares % Shares for Trade	0.01037%	0.00465%	0.00456%	0.01891%	0.02243%
Avg Market Cap	939,503.3	1,199,363.8	1,838,607.8	42,372.04	17,059,688.3
Avg Turnover	4.0%	2.5%	28%	5.5%	8.5%

A comparative analysis on the Capital Market Performance Indicators
Long – term analysis

A long term (6 year) analysis and the year-to-year analysis on the average returns indicate that the returns from BPCL shares was more than the return from the market (BSE Sensex), the sector (BSE PSU) and from

the competitive private companies. A look at the year-to-year analysis explains that the returns from these stocks are fluctuating in nature. An increase in the return is followed by a decrease in the subsequent year. Here also, two years (2017-18 and 2019-20) the returns from BPCL shares was negative. The return from the market and majority of the private sector companies are higher than BPCL shares.

BPCL shares are also the most actively traded shares among the four. This is evident from the fact that BPCL stands third among the five on the average quantity traded as a percentage of the shares available for trade (1.04%) in the market. BPCL has been able to keep up this position from 3 out of 6 years and continuously from 2015 to 2020.

The analysis on another important capital market indicator namely the daily average market capitalization reveals that BHEL stands third among the five with an average daily market capitalization of Rs.939503.3 crores was the second least among the four public sector. This has been achieved by BPCL by trading all most the same quantity of the shares traded by the private sector companies.

Short – Term Analysis

The short-term (current year) analysis reveals that the two crucial capital market performance indicators with respect to BPCL showed declining performance. The *returns from the BPCL shares became the lowest*. It took least position on the average quantity traded. The uncertainty prevailing over GOIs decision to disinvest 10% of its holding in BPCL disturbed the investors

mind in making their decision to invest in BPCL There has been considerable delay in taking the decision as the government has to get approval for its proposal from several quarters. First and foremost from its constituent parties, then the approval has to come from the CCEA (Cabinet Committee on Economic Affairs). Besides this it needs to face its legitimate opposition parties on this issue. All this has brought selling pressure on the investors, that has pull down the average return from BPCL share. There was also heavy selling pressure for PSE shares, it was high in the case of BPCL.

Statistical Analysis

The average analysis so far discussed gives little validation and a statistical analysis that explore the level of relationship between the returns from BPCL with returns from the comparable companies. The Pearson correlation coefficient (Multiple R), the most widely used statistical tool to test the degree of relationship between the dependent variable (the returns from BPCL shares) and the independent variables (the returns from BSE PSU, IOC, HPCL, ONGC and Reliance) shows that there exists good degree of relation ship (49%) in all the period of analysis. The relationship between the returns from BPCL shares and the Market has been very low.

Table - The Average Return from Public and Private sector companies in the oil sector business and comparable return from the market and sector indices in Six periods.

Average Return %							
	Indices		Public Sector				Private
Period	Market (Sensex)	BSE PSU	BPCL	IOC	ONGC	HPCL	Reliance
2014-15	-4.98%	-17.15%	38.29%	29.90%	-28.86%	51.72%	14.35%
2015-16	2.01%	12.74%	41.01%	51.12%	19.65%	57.55%	6.94%
2016-17	27.5%	18.78%	22.14%	18.45%	1.67%	40.95%	70.35%
2017-18	5.90%	-19.48%	-30.11%	-30.74%	-22.58%	-40.06%	21.59%
2018-19	14.08%	-4.02%	35.49%	-8.52%	-14.51%	4.42%	34.47%
2019-20	15.48%	-17.08%	-22.48%	-27.79%	-27.56%	-17.76%	32.15%

The correlation coefficient just gives the degree of relationship between the returns; it does not predict the

responsiveness from the sector, the market and from the competitive firms towards BPCL shares. So the

regression technique that explains the level of response from the returns of the independent variables (returns from BSE PSU, BSE Sensex, IOC, HPCL, ONGC and Reliance) to the dependent variable (returns from BPCL) has been worked out. To avoid any multi collinearity problem between the independent variables, the correlation co-efficient between each of the independent variables has been computed. We found that except BSE Sensex (returns from market index) other independent variables are having significant associations between them. So we have dropped the BSE Sensex from our list of independent variables and ran a multiple regression analysis with the following Hypothesis:-

We found that the adjusted R^2 that explains the variations in the dependent variable when more independent variable are involved explains that the independent variable have only 49% influence on the returns from the BPCL shares and the remaining 51% of the influence in returns from BPCL shares are explained by the other factors. The “F” statistic at 6.0628 is more than the critical “F” and P value is significant at 5% level. So we reject the null hypothesis and accept the alternative hypothesis that the other factors like changes in the external environment (changes in the government policy and changes in the capital markets) that influence the return from the BPCL shares.

Table - Statement showing the co-efficient of determination and indicators on the influence of the explanatory variables (returns from BSE PSU, IOC, HPCL, ONGC and Reliance) on the returns from BPCL shares

Base of Inference	Indicators	6 year	Action
Co-efficient of determination	Adjusted R Square	0.4986	Do not hold good
Testing for Hypothesis	Compound F	6.0628	Reject the Null Hypothesis Since the computed F is greater than Critical F
	Critical Value of F	2.621	

F - Significance (P Value)	.000917	Reject the Null Hypothesis since level of F-Significance is less than Probability
Probability Level of Significance	0.05	

The impacts in the Stock Market over GOIs decision to put hold all disinvestment decisions.

The impact on the stock market over GOIs decision to put hold all disinvestment issues have been only for a few days. The stock market took depressing turn during the week the GOI failed in its effort to pacify those opposing the issue. Even here the impact was seen more in the case of BPCL than the market and the sector. The scrip showed negative return in the entire week.

But the history has always shown that PSU shares have a way of turning market sentiment; at this point, the entry of fresh offerings, especially of profitable PSUs, could well bring about the change.

A highly pluralist democratic political setup

A thorough debate with the objective of bringing about a clearer realization on the part of all concerned of the full extend of changes needed thereby permitting more purposeful implementation – It is difficult to bring about such consensus approach on many issues as India’s highly pluralist democratic political setup blocks such an approach. Instead, India witnessed a process of creating a strong consensus for weak reforms – a halting process of change in which political parties that opposed particular reforms when in opposition actually pushed them forward when in office.

The political set up

The current political setup in India is a peculiar one. The ruling government’s decisions are impeded not only by the opposition but also by its own constituent partners in the government. The resistance to the BPCL issue gained momentum as more and more

people joined the group opposing the disinvestment proposal.

CONCLUSION

The Public Sector Enterprises have got a most prominent and ostentatious place in our economy, with the significant role which is being assigned to the public sector by the Government itself and it becomes vitally important to the Public Sector Enterprises to bloom and make their apt contribution towards the economic development and progress of the country. There is no doubt in the fact that PSEs have been contributing significant role not only in national income and capital generation but also in balancing the regional development by establishing and promoting industries across regions of the country.

Public Sector Enterprises include those undertakings which are wholly owned and managed by Government-Government administration at all levels (Central, State and Local authorities) including defence, wholly owned by the Government but managed by private persons under overall supervision of the Government and economic activities undertaken by the Government through autonomous organization where majority of the ownership and control in the hands of Government. Public enterprises cover the institutions under public ownership and operation of public purposes. The Public Sector Enterprises have been set up to serve the broad macroeconomic objectives like help in the rapid economic growth and industrialization of the country and create necessary infrastructure for economic development, promote redistribution of income and wealth, create employment opportunities, promote balanced regional development, assist in the development of small scale and ancillary industries and to promote import substitutions, save and earn foreign exchange for the economy. The Public Sector Enterprises classified into departmental enterprises and non-departmental enterprises. Non-departmental public enterprises constitute the Government companies, statutory corporations set up under special enactments of Parliament and State Legislatures.

After reviewing the existing literature, it is revealed that there are studies supporting that disinvestment improve the profitability and liquidity position of the

company (Joshi, 1980). Specifically, after being privatized, firms' sales increased in real terms, it become more profitable, increased their capital investment spending, improved their operating efficiency and increased their workforce (Megginson, Nash and Randenborgh, 1994). The study found persuasive evidence that the mean and median output, operating, efficiency and profitability of the sample firms had increased significantly and this change occurred in both statistical and economic terms after privatization (D'Souza and Megginson, 1999). The positive effect of privatization depends on pre-condition like existing economic institution, competition, hard budget constraints, quality of governance and regulations (Guriev and Megginson, 2005). Disinvestment would be accepted by the public when there is transparency about the whole process including pricing and market segments in which it takes place, either domestic or global. It is pertinent that PSUs are given professional management with full autonomy in the matter of pricing, investment and employment (Nanjundappa, 1998). The study envisaged that partial privatisation in the form of diffuse minority sales of shares has a positive impact on firm profitability and efficiency if not accompanied by a decline in employment (Gupta, 2001). In the phase of growing international competition privatisation can be an important tool to enhance the country's competitiveness by putting sizeable assets of PSUs to more productive use, to free Government resources from going into subsidies, to raise revenues for health and education so as to make the nation more competitive, and to bring better opportunities for the workers and managers in the PSUs (Makhija, 2006).

The financial and physical performance of Public Sector Enterprises have been evaluated with the help of criteria like profitability, and various ratios like Sales/Capital Employed, PBDIEET/Capital Employed, PBET/Net Worth, Net Profit/Capital Employed, Net Profit/Net Worth, Dividend Pay-out Ratio and Interest Coverage Ratio etc. The CPSEs' sale to capital employed has been showing up and down trends for the entire study period. The CPSEs revenue is consistently increasing up to the year 2018-19, it shows that the CPSEs are able to utilise the outsider's funds effectively up to the year 2018-19. It was reached its highest point at 160.30 in 2008-09, after wards it decreased and reached at 101.02 in 2019-

20. The aggregate performance of CPSEs for the study period is considerably satisfactory with respect to the sales to capital employed.

The Public Sector Enterprises contribution to the foreign exchange earnings has been increasing during the study period. This is because of the fact that the Public Sector Enterprises have started manufacturing capital goods, industrial goods and other equipments which were earlier being totally imported from the foreign firm and they have also focused on exporting more goods and services to foreign partners.

Furthermore, in the context of percentage increase in the foreign exchange earnings the highest percentage increase has been recorded for the year 2006-07 as against 2005-06, whereas lowest rate is recorded during the year 2019-20. The results depict that during the study period, there has been positive growth rate 12.08 percent in foreign exchange earnings from the year 2001-02 to 2014-15.

After disinvestment in the Bharat Petroleum Corporation Limited, short-term financial position of the company remained poor during the entire study period. A relatively low current ratio and quick ratio represents that the liquidity position of the firm is not good and the firm shall not be able to pay its current liabilities in time.

Long-term financial position of the company reveals more dependence on outsiders fund especially during the study period. It indicates that the company has been able to use low-cost outsiders' funds to magnify their earnings.

Inventory management has been found satisfactory whereas credit policy of the company seems to be defective. Fixed asset turnover ratio indicates the efficiency with which the company is utilising its investment in fixed assets. It shows that fixed asset turnover ratio of BPCL gives a moderate performance of operating efficiency of the company during the study period. The management of the company failed in efficiently utilising its fixed assets during the study period.

Profitability in relation to sales has been found very poor which reveals that the management should keep

proper control on various expenses of the organisation. The reduction in profitability has been reported due to the sharing of subsidy burden on LPG, SKO, MS and HSD, reduction in duty protection rates, additional octroi payment at Mumbai and unfavourable spread between crude and product prices, especially for naphtha and fuel oil. The decline in the return on capital employed and return on net worth ratio indicating its inefficiency in the utilisation of its investment.

Moreover, independent variables current ratio, quick ratio, debt equity ratio, long term debt equity ratio, interest coverage ratio, inventory turnover ratio, debtors' turnover ratio and fixed assets turnover ratio have insignificant impact on the net profit of the company.

After studying the corporate liquidity of the Hindustan Petroleum Corporation Limited, current ratio reveals the fluctuating trend during the study period. A relatively low current ratio and quick ratio represents that the liquidity position of the company is not good and the company shall not be able to pay its current liabilities in time. It also shows that the management of the company has failed in the efficient utilisation of their current and liquid asset during the study period. Company should take some safety margin to protect the interest of the creditors and provide cushion to the company in adverse circumstances. However, long term financial position of the company has been improving over the period of time. It shows that the management of the company has been using more outsiders' funds in the of study period.

After studying the asset usage of HPCL it has been found that the efficiency of the utilisation of the fixed assets and effective management of its debtor's has been declined significantly during the study period. Further, the overall profitability position of the company has been deteriorating significantly over the period of time. The profitability of the company has been deteriorating due to higher interest cost. The higher interest cost was due to delayed compensation for increased under recoveries on sale of sensitive petroleum products.

The corporate liquidity of the Indian Oil Corporation Limited, has shown relatively low liquidity position of

the company is not good and the company shall not be able to pay its current liability in time. The net profit of the company has decreased during the study period due to foreign exchanges loss, impact of inventory valuation, loss on sale of oil bonds along with increase in manufacturing expenditure including increase in wages and salaries. Further, it can be concluded that the overall profitability position of the company has been deteriorating significantly during the period.

After analysing the corporate liquidity and financial strength of the Steel Authority of India Limited, the short-term and long term financial position of the company has been showing improvement over the period of time. As regards to the asset usage of the company during the study period, it has been found that the decline in the mean scores of inventory turnover ratio, debtors' turnover ratio and fixed asset turnover ratios indicate the inefficiency of the management in the utilisation of inventory, debtors' and fixed assets. The operating performance of the company has been showing decline which is witnessed by the concerned ratios. It is concluded that profitability of the company has been deteriorating during the study period but overall net profitability position has been found satisfactory. Studying the operating performance based on investment concludes that there is decline in the return on capital employed and return on net worth ratios. It indicates the inefficiency of the management in the proper utilisation of investment towards achieving profits during the study period. .

The corporate liquidity of the Oil and Natural Gas Corporation Limited reveals that the current ratio and quick ratio have shown downward movement during the study period, but all over corporate liquidity position of company is satisfactory. As far as its financial strength is concerned, it has been found that its dependence on the outsider's funds has decreased during the study period. There is an improvement in its efficiency in the utilisation of its inventory and managing the debtors during the study period. While management of the company failed in utilising the fixed assets efficiently during the study period.

Profitability position of the company has been found good during the study period as compared to first half of the study period. The operating performance of

ONGC based on investment has shown downward movement during the study period. But, the overall performance of ONGC is good during the study period. The independent variables current ratio, quick ratio, debt equity ratio, long term debt equity ratio, interest coverage ratio, inventory turnover ratio, debtors' turnover ratio and fixed assets turnover ratio have insignificant impact on the net profit of the company.

Bharat Petroleum Corporation Limited (BPCL)

A long term (6 year) analysis and the year-to-year analysis on the average returns indicate that the returns from BPCL shares was more than the return from the market (BSE Sensex), the sector (BSE PSU) and from the competitive private companies. A look at the year-to-year analysis explains that the returns from these stocks are fluctuating in nature. An increase in the return is followed by a decrease in the subsequent year. Here also, two years (2017-18 and 2019-20) the returns from BPCL shares was negative. The return from the market and majority of the private sector companies are higher than BPCL shares..

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The success of any firm depends on the pool of professionals and their management, hence it is suggested that all PSUs should be given adequate professional management and fullest autonomy in the matter related to pricing, investment and employment.

The cost structure of PSUs needs to be fragmented as per the requirements of departments and divisions. The PSUs or Government itself should take required steps and measures to do away with the inefficiencies and excess cost incurred, to make them more capable and efficient to compete in the globalised world.

There should be clear financial targets and objectives for each PSU since the beginning of the every financial year.

PSUs executives should be provided executive development and training programme as and when need arise, so that they can move forward and work more effectively and can be more efficient to deal with the crisis situations.

It is necessary and inevitable to PSUs and their financial institutions to promote custom and market oriented products so that they can sustain and increase their market share, which would be helpful them to compete with their private counterparts.

The social welfare schemes and services should be so designed and formulated which can directly benefit the common mass. In other words, welfare activities should directly cover the major areas of human welfare i.e. health, education, law and order, safety and defence.

No step in the process of disinvestment programme should be undertaken in hurry, otherwise there will be a loss to exchequer objective. A well perceived and analysed system or operation is required to formulate yearly target for the disinvestment programme.

Disinvestment of PSUs should be in accord with the scientific valuation of the target company shares.

The Government should prepare a comprehensive privatization policy in order to ensure smooth progress of privatization process.

The lack of transparency can nullify the whole process of disinvestment.

Hence, it is suggested and opined to have transparency in the disinvestment process and programmes. This would guarantee the more cooperation and support from all the political wings and also help in greater public acceptability.

The most of the companies or firms fail in want of having a documented social implication of privatization. Hence, it can be suggested that social implications of privatisation need to be assessed and documented more correctly. And also the interests of the various stakeholders should be safeguarded to the fullest extent.

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