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The Disinvestment Programme in India - Impact on Efficiency and Performance of Disinvested Government Controlled Enterprises (1991 - 2010)

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Introduction

The Public Sector Enterprises have been of predominant importance from time immemorial, with several theories of growth highlighting the working of the Government through state enterprises. There were however, two schools of thought – the Classical school that advocated the existence of a free economy, adopting the policy of laissez faire, while the modern economists, especially John Maynard Keynes, spoke of the importance of a mixed economy, where there was co – existence of the public and private sectors.

In India, the Public Sector Enterprises have always been considered as engines of growth for their potential to foster and increase the pace of development in the country. The role of these enterprises in Pre – Independent India was negligible, given that private enterprises governed the development in the country during those times. With Independence, PSUs in the country gained importance and had the opportunity to promote rapid development in the country.

The public sector was structured to spearhead a chain of revolutions leading to the path of economic growth. In the initial years of planning, the public sector was used as strong tool by the government to maintain its control over the key industries. The public sector was, in fact, seen as an instrument to move towards the ideal of a “socialist state”.

Before liberalization in 1991, the Central Public Sector Enterprises enjoyed monopoly and State patronage. But the policy of the license Raj - a policy, by which licenses were given to industries to set up their units which had encouraged a certain amount of corruption and red tapism in order to procure the license to start the functioning of the enterprise-was dismantled.

The USA along with the World Bank, IMF and other international organizations advocated what is generally known as – ‘The Washington Consensus’ – a set of policy measures by which the state in developing countries, would dilute its stake in the Public enterprises in favour of the private players and bring about a complete transformation in its performance.

Several countries across the world adopted this policy of Disinvestment to infuse more discipline in the functioning of the enterprises, due to private

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participation. Disinvestment has been extremely successful as an economic policy measure mainly in China, Hungary, the United Kingdom and South Africa. These countries witnessed voluminous increases in the revenues of their disinvested firms consistently after disinvestment.

The Indian Scenario

An escalation in the government's current expenditure was mooted as the reason for the fiscal deficit's growth to abominable extents. Interest payment ate up a large share of government expenditure in the absence of returns on productive capital expenditure and investment financed by debt, which in an efficient system, would have eased the crisis. A souring fiscal deficit and the Gulf War of 1990 inaugurated a chain of macro-economic problems. NRI deposits started flowing out and the Balance of Payment condition deteriorated. The government took huge loans from the IMF (US$2.4 billion in January 1991). The foreign exchange reserves sharply went down so much so that in July 1991, it was a mere US$ 1 billion, sufficient to finance imports not even for a fortnight. It was in this atmosphere of crisis that the newly elected government in 1991 brought in a bagful of reforms, primarily aimed at macro - economic stabilization and reconstituting the industrial sector.

Additionally, nonviable PSEs were posing risk to the Government of using tax payers' money for non-productive purposes. Further, huge amount of accumulated debt of PSEs enabled Government's stake imperative. The situation lead the Government to resort to disinvestment.

The new economic policy of liberalization, privatization and globalization promulgated in 1991 induced the policy of disinvestment in the public sector units to find funds for meeting fiscal deficit, enable public participation, firm up market discipline and improve overall performance of PSUs. The table below briefs about the sources and share of funds between 1991-92 & 2009-2010.

Disinvestment from 1991 - 1992 till 2009 - 2010

Item	Amount Realised (Rs. In Crore)	Percent
Receipts through sale of minority shareholding in CPSEs	39,617.91	68.68
Receipts through sale of majority shareholding of one CPSE to another CPSE	1317.23	2.28
Receipts through Strategic sale	6,344.35	11.01
Receipts from other related transactions	4,005.17	6.94
Receipts from sale of residual shareholding disinvested CPSEs/companies	6,398.27	11.09
Total	**57,682.93**	**100.00**

Source: Department of Disinvestment, Government of India

The consequence of this is the formation of Disinvestment Commission in 1997 which recommended, inter alia, restructuring and reorganizing PSUs, strengthening well performing enterprises and utilize the disinvestment proceeds funding them.

The National Common Minimum Programme (NCMP) adopted by the Government, in a nutshell outlines the policy of the Government with respect to the public sector including disinvestment of Government equity in Central Public Sector Enterprises: **1.** Commitment of the Government in having strong and effective public sector enterprises by full managerial and commercial autonomy. **2.** Transparency in privatization efforts. Retention of existing "Navratna" companies. **3.** Privatization is expected to increase competition.

The Cabinet Committee on Economic Affairs has also approved the **appointment of Merchant Bankers and other Intermediaries** for disinvestment transactions, involving offer for sale or fresh issue by the company. This approval was expected to help planning and timing of the public offerings in a manner that they are spread out evenly and avoid bunching as far as possible so as to ensure better response from investors.

Significance of the Study

For a company, efficiency is a measure of its capacity to deliver cost effective services and products maintaining a high quality and support to customers. A Company's ability to generate revenue greater than its expenses incurred for a particular period of time, reflects the amount of profits made by the Company. The extent of profit made has a spiraling effect on reinvestment capacities of the company influencing its secular growth. Companies that are efficient ensure optimum usage of resources contributing majorly to the steady and rapid development of an economy. Different types of efficiencies are used as metrics of measurement in different fields

- **Technical Efficiency -** is said to occur when the optimality condition is defined by a production function. The optimality condition reflects that the exact number of inputs are used, to produce a vector of outputs. Thus there are no inputs that are extra and redundant.
- **Allocative Efficiency -** The point reached by a firm, when the ratio of marginal products is equal to the ratio of their prices - when the goods and services are distributed in the economy according to preferences indicated by the consumers. This indicates that the firm has used its productive inputs in proportions which minimise costs and ensures correction of market failures.
- **Economic Efficiency -** The simultaneous occurrence of technical efficiency and allocative efficiency results in economic efficiency. The product of technical and allocative efficiency was termed global efficiency or productive efficiency.[1]
- **Dynamic Efficiency** which results from Innovative ways of production. It is associated with Prof. Schumpeter.
- **X Efficiency** is a type of efficiency measure applied specifically to those situations where there is more or less motivation of the management to maximise output or not. It occurs more in imperfect markets. This concept was coined by the economist Harvey Leibenstein.

Implementation of economic reforms that were necessitated in 1991, were primarily through the route of disinvestment. Disinvestment is known to achieve a greater inflow of private capital and the use of private management practices in Public Sector Undertakings, as well as enable more effective monitoring of management discipline by the private shareholders. Such changes are said to lead to an increase in the operational efficiency and the market value of the PSUs. This in turn would enable the much needed revenue generation by the government and help reduce deficit financing.

The Government of India had proposed that the proceeds obtained from disinvestment - which also form part of the annual estimated budgetary receipt - would be better utilised if diverted towards areas of social development such as basic health, family welfare, primary education and the reduction of the staggering public debt owed by the Government of India.

Another critical development is to encourage private players in the industry such as telecommunications to help derive cost advantage by the consumers.

Disinvestment also impacts the working of the capital markets in the country, helping to establish more accurate benchmarks for pricing and facilitates the raising of funds by the privatised companies for their future projects or expansion. The SEBI has encouraged the Indian Government to sell its stake to investors in the domestic market than the overseas markets, through the route of Global Depository Receipts and American Depository Receipts, to prevent excessive ownership in the hands of foreigners.

Better market discipline and an escalation in overall

[1] *Farrell. M.J.: 'The Measurement of Productive Efficiency' JSTOR, 2005*

profitability of the firm, mainly due to higher labour productivity is another outcome of disinvestment. This would help foster the twin objectives of economic growth along with conserving scarce resources by reducing wastage due to greater productivity.

Review of Literature

Geeta Gauri (1996) in her paper titled **'Privatisation and the Public Sector in India – Analysis of Impact of a Non – Policy'** opined that the lack of a comprehensive policy on privatisation stands out in contrast to other aspects of the New Economic Policy. Perhaps this is politically expedient, but in terms of economic management and more so public sector management, the lack of a policy can result in unexpected outcomes which may not be all that expedient. Her paper attempted to provide glimpses of the possible outcomes of the non-policy on privatisation, focusing on the fiscal, efficiency and intersectoral dimensions.

Dr. Himanshu Joshi (2001) in his paper titled **Does Disinvestment Improve Financial Performance? A Case of Bharat Heavy Electricals Ltd. (BHEL)** advocated that a change in ownership would result in a change in the performance of the companies, as the main conflicting objective between the public and private sector is that of service and profits respectively. He studied the impact of disinvestment on BHEL and found that the company saw a major improvement in its profitability measured by the return on sales, a fall in its leverage measured by the debt - equity ratio, an improvement in its liquidity and a fall in the dividend payout ratio, primarily due to increased retained earnings maintained by the company.

Neelam Jain (2002) in her article titled **'Privatisation and Disinvestment in Public Sector Undertakings in India'** was of the opinion that National Policy Initiative like Liberalisation, Privatisation and Globalisation are significant innovations in the recent history of economic policy aimed at the faster development of the economy. Public Sector reforms require reduction of state control of the economy and expect participation of the private enterprises and market forces in the production process.

Vipin Malik (July - September 2003) in his article titled **'Disinvestments in India: Needed Change in Mindset'** believed that the existence of corruption and bureaucracy were delaying the implementation of disinvestment in India. While countries like Hungary, China, the Soviet Union and several other countries have successfully implemented the policy of disinvestment using several routes like the IPO, convertible bonds, the system of vouchers and foreign investors primarily, in India, the political parties are in agreement that disinvestment should be executed, but, there is no concerted move to do so. The poor pace of execution coupled with lethargy has caused the receipts from disinvestment to be minimal. He also suggested a five point reform process to improve and hasten the process of disinvestment

Nand Dhameja (2003) is of the opinion that the clock on Public Sector Undertaking has taken a full turn. Once seen as the engines of industrial growth, most of the state enterprises became a big drain on public money a decade or so later. The economic reforms of 1991-92 initiated the steps for privatisation or sale of such units on the economic grounds so as to lessen the burden on government finances. The article analyses the strategy, economics and administrative exercise behind the process of disinvestment.

Bennett, John and Maw, James (2003) in their paper titled **'Mass Privatisation and Partial State Ownership of Firms in Transition Economics'** examine how partial state ownership affects the firms' subsequent investment and output behaviour. They determine how the optimum retained state ownership share depends on product market competitiveness and find the conditions under which it would be preferable to sell the firms to a single owner.

R. Nagaraj (2005) in his paper titled '**Disinvestment and Privatisation in India - Assessment and Options**[2] opined that Ownership reform in public sector enterprises (PSEs) initiated since 1991 has yielded minimal receipts. The initial lethargy was perceived as an opportunity to make a careful decision regarding the choice of public sector enterprises to invest in. The opinion was, that since large firms were being selected, the chances of success would be very high. Mutual Stock holding among complimentary enterprises linking it with public sector banks by encouraging active interaction between them and arranging for alternatives to dysfunctional legislative and bureaucratic interferences have been suggested.

Amit Kumar Srivastava, Vilas Vasantrao Kulkarni (2006), in their paper titled **'Disinvestment in India: A Stakeholders' Management Perspective'** opined that India, after independence, adopted mixed economy, aiming socialistic patter, through heavy investment in the public sector enterprises (PSE). Increasingly, PSE's activities were extended to non-infrastructural, non-core, and non-strategic activities, which later proved to be of major concern to the Government. The GOI in 1991 initiated a radical economic reform to increase the private sectors participation. These reforms have affected many sectors and caused resistance from different stakeholders. The success rate of disinvestment in India is about 50 percent only and thus, the management of various stakeholders including, international agencies, corporate houses, political parties, trade unions/employees, local community, media etc. become crucial for the success or failure of the disinvestment policies.

Bala, Madhu (November 2006) in her paper titled **'Economic Policy and State Owned Enterprises: Evolution Towards Privatisation in India'** providing an overview of the process of disinvestment and its implementation in India, argues that there has been state intervention through the state owned enterprises since time immemorial. Soon after independence, the Public Sector enterprises were highly efficient occupying the position of 'Commanding Heights', but this was short lived. Inefficiency and lack of accountability resulted in escalating losses of the public sector enterprises. She states that with the policy of liberalisation introduced, the enterprises have had to depend a lot more on the market forces, than the government. The economic reform implementation has been inefficient bringing in negligible receipts for most years. She has also cited several reasons why the policy of disinvestment hasn't been welcomed by some officials.

Gupta Seema, P.K. Jain, Surendra S. Yadav and V.K. Gupta (2011) in their paper titled **'Financial performance of disinvested central public sector enterprises in India: An empirical study on select dimensions'** studied the impact of disinvestment on public sector enterprises and compared their performance in the pre and post disinvestment periods. Their findings indicate that the loss making units that were disinvested did not improve in performance, while profit making units that were disinvested showed tremendous improvement in profitability and performance. They were also of the opinion that partial disinvestment would not be successful, as majority control was still in the hands of the government resulting in inefficiency in operation, along with a lack of competitive industrial structure resulting in high costs incurred.

Garg Rakesh (July 2011) in his article titled **'Impact of Disinvestment on Corporate Performance'** states that economic reforms that commenced in 1990 met with strong opposition from other political parties slowing down the process and infusing inefficiency and lethargy into the entire process. He studies how disinvestment has improved the performance of public sector units, if correct and timely implementation is carried out.

M. Kanchan, R.G. Herlekar (December 2013) in their article **'Ailing Public Sector Undertakings: Revival or Euthanasia'** opine that the loss making public sector units are ridden with inefficiency and complacency, especially units like HMT and Hindustan Cables Limited. The government financially supporting the restructuring of these firms has been censured by the authors, as restructuring has not improved the operating efficiency or liquidity position. Infact, the test on bankruptcy conducted reveals that there has been hardly any improvement with restructuring. They stated that as there was no change in management or production, the process of financial restructuring would benefit only for a short period, while disinvestment would bring in long term positive changes.

[2] *This study is prepared for the ADB Policy Networking Project, coordinated by Chiranjib Sen, Indian Institute of Management Bangalore. I am grateful to T.C.A. Anant, K.L. Krishna and many participants of the two workshops held in New Delhi and Bangalore, for their comments and suggestions on the earlier drafts of the paper. Usual disclaimers apply.*

Objectives of the Study

- To analyse the changes in the **EPS of some disinvested companies** in the post reform period.
- To analyse the impact of disinvestment on **labour productivity using qualitative techniques**
- To measure the impact of disinvestment on the **financial efficiency of a company** using the **efficiency ratios**
- To construct an EGARCH model to study the impact of disinvestment on the **share price volatility - A case of the Oil and power sector firms in India...**
- To suggest an appropriate group of shares for the ETF through the construction of an **Efficient Frontier**
- To estimate the **appropriate Timing of disinvestment** using the **Force Index**
- To suggest suitable policy measures.

Hypotheses

1. Disinvestment improves labour productivity of the disinvested companies.

$$\mathbf{H1 > H_0}$$

2. Disinvestment enhances the efficiency, increases the profitability and the overall production of the disinvested companies.

$$\mathbf{H1 > H_0}$$

Methodology

- The data used is secondary from several sources –The Ministry of Finance - Government of India,, Department of Disinvestment - Government of India, CMIE database, PROWESS database, Company Annual Reports, Public Enterprise Survey, JSTOR, UNDP Journals, Economic and Political Weekly, Journal of Economic Literature, Ideas Repec Journal, Journal of Economic Perspectives, The Economist, The Southern Economist and the World Bank Report.
- Primary data on labour productivity is also collected from a couple of disinvested companies.
- The analysis of the obtained data would be carried out using several **Financial Ratios, Technical Analysis, Statistical tools** like correlation, regression, time series, ANOVA and **Econometric tools** like the usage of **Garch** models to study the impact of disinvestment.

Research Gaps

- Disinvestment receipts have been inconsistent since 1991, even though the Government, in every budget, has been very optimistic with the targets set to raise receipts from disinvestment, they have seldom achieved it. One of the causes for this could be the lack of timely disinvestment. One of the gaps is that research on the use of the **Force Index,** to determine the timely disinvestment of shares to optimize the receipts has not been covered by researchers.
- The existing modes of disinvestment in India were not consistently yielding the revenue expected, to render the process of disinvestment successful. It was thereafter conceptualised that an Exchange Traded Fund, comprising the shares of the around 11 profit making Central Public Sector Enterprises, was to be started, to assure better prices for the equity of these companies, through disinvestment. Whether the etf would yield the required results and revenue, would depend on the portfolio of shares of the selected companies. Not much research has been undertaken to highlight the construction of an **'Efficient Frontier'** comprising a portfolio of shares of the Public Sector Enterprises that have the best possible expected rate of return for their level of risk, when disinvested.
- Any programme is termed successful, primarily when the returns are voluminous. Share prices are one of the main factors that determine the strength of a company. The news about a company's performance and policies and the reaction of the market to these mainly determine the company's share prices. The volatility clustering of the share prices of disinvested companies in India, to assess the asymmetric effects between positive and negative returns on assets of disinvested companies in India has not been researched on adequately, using the econometric technique of **EGARCH.**

Findings from the Study

- From the research undertaken, it has been found that disinvestment has had a myriad impact on companies, due to several factors

(i) ***The extent of disinvestment undertaken* – a minority stake sale** has not yielded too much of a change in performance, as government control is prominent and lesser autonomy is given to the company, while a **majority stake sale** (the government retains a 26% stake only in the company) **or a strategic sale** (the ownership and management are totally transferred to a private enterprise) has resulted in a complete turnaround in the revenues of the company, labour management and policy restructuring. Companies like Hindustan Zinc Limited have recorded very high share prices consistently and have diversified immediately after the sale of the company to a private player, Sterlite.

(ii) ***The human resource available in the disinvested firm*** – the type of labour force available influences the success of disinvestment in that company. Companies like HZL and NTPC have undertaken major labour restructuring schemes, whereby, they have changed the composition of labour, improving the overall efficiency of the firm, due to the disinvestment.

(iii) In the post reform period, only for three years, the disinvested proceeds exceeded the budgeted receipts due to the mode of disinvestment undertaken – mainly through majority stake sale or strategic sale alone.

(iv) The financial ratios – inventory turnover ratio, return on sales, earnings per share, have shown a significant rise since disinvestment – particularly in ONGC, NTPC and HZL. Maharatnas like ONGC have also benefitted from disinvestment undertaken in them, mainly through cross holding of shares, reflected primarily in its market capitalization. Currently ONGC is leading the top fifty Public Sector Enterprises with a market share of Rs.2,49,435.31 crore.[3] HZL & NTPC, too have shown improved returns with disinvestment improving their efficiency and performance.

Table 1: Earnings per Share of HZL from Disinvestment

Year	Reported Net Profit (in Cr.)	Number of Outstanding Shares (in Cr.)	Earnings Per Share (in)
1991-92	7.2764	41.2532	0.18
1992-93	9.2421	41.2532	0.22
1993-94	7.6554	42.2532	0.18
1994-95	9.7275	42.2532	0.23
1995-96	8.2335	42.2532	0.19
1996-97	9.717	42.2532	0.23
1997-98	12.33	42.2532	0.29
1998-99	13.09	42.2532	0.31
1999-2000	90.42	42.2532	2.04
2000-01	169.22	42.2532	4.0
2001-02	67.96	42.2532	1.61
2002-03	142.15	42.2532	3.36
2003-04	404.59	42.2532	9.58
2004-05	655.33	42.2532	15.51
2005-06	1472.48	42.2532	34.85
2006-07	4441.81	42.2532	105.12
2007-08	4396.01	42.2532	104.04
2008-09	2727.61	42.2532	64.55
2009-10	4041.41	42.2532	95.65

Source: Several Profit and loss statements of HZL

The government began disinvesting its stake in Hindustan Zinc Ltd from the very beginning. In 1991-92, the government auctioned 22.22% of its stake in the company to financial investors through the transaction of sale of minority shareholding. In 1992-93, a further 5.78% of its stake was auctioned again to the financial investors, bringing the total stake of the government in the company to 72%.

In 2002-03, the government decided to use the route of strategic sale, on the recommendation of the

[3] *Department of Disinvestment, Government of India.*

Disinvestment Commission, and sold 22.07% of its stake in HZL to Sterlite Opportunities and Ventures Ltd, along with selling 1.50% of its stake to the employees. This brought down the stake of the government in the company to 48.47%. In 2003-04, the government disinvested a further 18.92% of its stake in HZL in favour of Sterlite Opportunities and Ventures, bringing its holding in the company to 29.55%.

Oil and Natural Gas Corporation (ONGC)

Table 2: Earnings per share of Oil and Natural Gas Corporation

Year	Reported Net Profit (in Cr.)	Number of Outstand-ing Shares (in Cr.)	Earnings Per Share (in)
1991 - 92	405.7	142.5934	2.85
1992 - 93	788.5	142.5934	5.53
1993 - 94	1588.1	142.5934	11.14
1994 - 95	2346.3	142.5934	16.45
1995 - 96	1945.4	142.5934	13.64
1996 - 97	2033.6	142.5934	14.26
1997 - 98	2677.8	142.5934	18.77
1998 - 99	2754.5	142.5934	19.32
1999-2000	3639.47	142.5934	25.45
2000-01	5228.78	142.5934	36.67
2001-02	6192.33	142.5934	43.43
2002-03	10529.32	142.5934	73.84
2003-04	8664.45	142.5934	60.76
2004-05	12983.05	142.5934	91.05
2005-06	14430.78	142.5934	101.20
2006-07	15642.92	213.8873	73.14
2007-08	16701.65	213.8873	78.09
2008-09	16126.32	213.8873	75.40
2009-10	16767.56	213.8873	78.39

Source: Several Profit and Loss accounts of ONGC

With disinvestment, most companies showed an improvement in EFFICIENCY. A study on The Maharatna, ONGC revealed that the company showed a massive increase in its earnings per share, volume of sales, inventory and the Inventory turnover ratio, reflecting overall improvement in efficiency in the firm, ever since the government implemented disinvestment using the mode of cross holding of shares.

The policy of Administered Price Mechanism of the Government of India had hindered and restricted the profits of this oil giant. With deregulation introduced in 1997, ONGC was able to sell oil prices at international prices, giving an impetus for its profits to increase. A subsequent disinvestment of ONGC in 1999, through the method of cross holding of shares, saw the performance of ONGC improved manifold, as reflected in its EPS. Being awarded the status of Maharatna, the company has diversified and become a lot more competitive, being a world power oil company currently.

Table 3: Earnings per share of NTPC

Year	Reported Net Profit (in Cr.)	Number of Outstand-ing Shares (in Cr.)	Earnings Per Share (in)
1991-92	734.62	7.5083	97.84
1992-93	886.57	7.5083	118.08
1993-94	1057.97	7.9998	132.25
1994-95	1125	7.9998	140.63
1995-96	1352.61	7.9998	169.08
1996-97	1679.43	7.9998	209.93
1997-98	2122.3	7.9998	265.29
1998-99	2270.72	7.9998	283.85
1999-2000	3424.53	7.8125	438.34
2000-01	3733.8	7.8125	477.93
2001-02	3539.62	7.8125	453.07
2002-03	3607.5	781.2549	4.62
2003-04	5260.8	781.2549	6.73
2004-05	5807	824.5464	7.04
2005-06	5820.2	824.5464	7.06
2006-07	6864.7	824.5464	8.33
2007-08	7414.8	824.5464	8.99
2008-09	8201.3	824.5464	9.95
2009-10	8728.2	824.5464	10.59

Source: Several Profit and Loss reports of ONGC

The government has disinvested 5.35% of its stake in NTPC in 2004-05 through the mode of public offer, the type of transaction being sale of minority shareholding, reducing its share to 89.5% and not 94.65%, as simultaneous issue of fresh capital also took place at the time. In 2009-10 the government disinvested a further 5% in the company, bring its stake down to 84.5%.

Post disinvestment, the management efficiency in the company improved. The company's net profits recorded increased at a massive rate, due to lesser government interference and more autonomy given. The company has issued bonus shares and share splits, resulting in an increase in earnings per share and overall profitability of the company.

(v) Market information causes volatility in share/ asset price returns in the stock market. Any asymmetry in market information would cause greater variability and volatility. Volatility is a measure of variability in a stochastic process. Variability of asset prices is induced by anticipated changes in the expectations of investors. A good model of volatility provides accurate estimates and forecasts, enabling the estimation of market risk and portfolio optimisation. A study of the volatility in the share prices of ONGC revealed that The Egarch long run volatility values of 11.71% and 5.76% indicate excessive volatility clustering, causing great uncertainty in the market. The ongoing deregulation policy of the government wherein to lessen their burden and losses, the government was targeting the large profit making public sector enterprises in the oil industry, who had already been disinvested, to take on the burden of the oil subsidy, forcing the company's performance to be affected. Greater government influence was obviously the main factor affecting the performance of these large public sector enterprises.

Limitations of the Study

Availability of data was the biggest hurdle faced while undertaking research. Companies were not forthcoming with data unavailable online, for security reasons. Databases like PROWESS, CMIE also were available only to researchers and students belonging to the respective member Organisations.

As the study is limited to disinvested companies in a couple of Industries, namely the Oil and Power Industries in the Indian Economy, the conclusions drawn would be true of most of the companies, but not all, as some companies could show results contrary to those obtained from the research study, as they would not have benefitted much from Disinvestment.

The difficulty in getting complete data from primary sources has limited the extent of research. Data that has been used for the study, is mostly secondary data and insufficiency of data, cripple the conclusions drawn and the accuracy of the research study done.

Recommendations Based on Findings

- On the basis of the findings, the following recommendations are made –
- The Government should adopt the appropriate mode of disinvestment ensuring that all stakeholders benefit.
- Preferably the sale price of the shares should be at a 10% discount from the previous close price on the stock market, to ensure adequate gains from purchase for the buyers.
- Unlisted companies should first be listed, before they are sold via disinvestment.
- Timing of disinvestment could be undertaken, applying the force index, to optimize receipts from disinvestment without having to resort to any distress sale.
- More autonomy should be given to the management to ensure suitable and competitive policy implementation.
- Suitable policy measures that could be incorporated to improve the efficiency of the execution of Disinvestment process in India.

The Future of Disinvestment

The fiscal deficit of the Government is growing at an alarming rate over the last few years and needs to be arrested in order to facilitate faster and smoother development in India. Some of the large and profitable

Public Sector Undertakings have continued to make substantial profits, and have even earned a 'Maharatna Status' from the Government. But the performance of the larger number of the Public Sector Undertakings is still a cause for major concern for the Government, as they continue to drain its resources for their survival, and the overall profitability of the sector is plummeting every year.

A policy of disinvestment is imperative to rectify the inefficiency in these enterprises and escalate Government profits, ensuring optimum usage of the resources in a planned manner. Disinvestment is a policy that is inevitable for India, to achieve a higher growth rate, along with plugging the growing fiscal deficit.