Summary of Findings, Suggestions and Conclusion
CHAPTER VI
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

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6.1 INTRODUCTION

This chapter presents a brief summary of the preceding chapters and the major findings and suggestions that emerge from the study.

6.2 SUMMARY OF FINDINGS

* Under the Petroleum Group, the industry CRL three ratios showed a significant increase between Pre and post disinvestment period. The Ratios are Debt-equity (85.5%) Debtors ratio (65.2%) and CPM (42.7%).

* BRPCL industry under Petroleum Group, only one ratio namely Debt-equity ratio (17.9%) showed a significant increase between the two periods.

* Under the Petroleum Group, the BPC industry, out of 14 ratios, Debt-equity (5.88%), Long term (-9.88%), Current (4.56%), Fixed asset (11.0%), Inventory (8.085%), Debtors (-53.7%), Interest coverage (79.3%), PBIDTM (2.77%), PBITM (5.64%), PBTD (3.93%), CPM (2.16%), APATM (6.74%), ROCE (15.5%), RONW (16.0%) showed no significant increase between the two periods.

* HOCL, under Fertilizer and Chemicals Group showed two ratios namely Inventory ratio (39.4%) and Interest coverage ratio (-101.5%) which brought a significant increase in between the two periods.

* Under Fertilizer and Chemicals Group, IPCL industry, the Debtors ratio (-15.98) and PBIDTM ratio (31.19%) showed a significant increase between the two periods.

* RCFL, under the Fertilizer and Chemicals Group exhibited Debt-equity ratio, (269%) Inventory ratio (33%) and Interest coverage ratio (-132.1%) exhibited significant increase during Pre and Post disinvestment period.

* Under the Fertilizer and Chemicals Group the industry FCL showed a significant increase in Fixed assets ratio, (22.2%) Inventory ratio, (61.1%) Debtors ratio, (49.4%) during the two periods.

* Under the Steel and Minerals Group in the NAC industry, the following ratios have a significant increase. The ratio are Inventory ratio, (39.1%) PBITM (5.47%), ROCE (124%) and RONW (30%). The other ratios namely Debt-equity ratio (-77.18%),
Long term ratio (-79.56%), Current ratio (-53.83%), Fixed asset ratio (39.1%) have decreased.

* DCL industry under the **Steel and Minerals Group** the following ratios have a significant increase. They are Fixed assets ratio (26.6%), Inventory ratio (-25.6%), Interest coverage ratio (545%), PBITM (6.27%), PBDTM (31.5%), APATM (77.9%), ROCE (55.9%) and RONW (37.9%).

* NLC Under the **Steel and Mineral Group** the following ratios have a significant increase between the two periods. The ratios are Inventory ratio (126%), Interest coverage ratio (1418%), PBIDTM (15.6%), PBITM (48.3%), PBDTM (46.2%) CPM (22.4%), APATM (91.9%), ROCE (89.3%), and RONW (110%).

* Under the **Steel and Mineral Group** the HZL industry, there is significance in the ratios of Fixed asset (68.4%), Inventory ratio (216%), Debtors ratio (51.3%), PBDTM (126%), APDTM (258%), ROCE (264%) and RONW (361%).

* Under **Steel and Minerals Group** the industry SAI, the Inventory ratio (98.5%) alone has a significant increase between Pre and Post disinvestment period.

* Under the **Medium and Light Engineering Sector** in the ITI industry all the ratios except one ratio (current ratio 10.4%), have no significant increase between pre and post disinvestment period.

* Under the **Medium and Light Engineering Sector**, in the BEL the Current ratio (18%), Fixed assets ratio (44.2%), Inventory ratio (24.1%), PBITM (49.9%), PBDTM (112%), CPM (86.7%), APATM (243%), ROCE (119%), RONW (163%) increase significantly between pre and post Disinvestment Period, the other two ratios namely Debt-equity ratio (-88.65%) and Long term ratio (-81.06) decreased during the two periods.

* In **Medium and Light Engineering Group** in the AYC, industry expect Inventory ratio (18.2%) has significant increase in Pre and Post disinvestment period.

* The CMCL industry in the **Telecommunication Sector**, out of the 14 financial ratios eight ratios namely Fixed asset (161%), Inventory (315%), Interest coverage (1154%), PBIDTM (14.8%), PBDTM (174%), APATM (6.294%), ROCE (270%), RONW (3374%) have significantly increase during the post disinvestment period.
whereas two ratios namely Debt-equity (-81.051%), Debtors (1.83%) have significantly decreased.

* The SCI industry under **Telecommunication Sector**, among the ratios under study, ten financial ratios namely Debt-equity (-66.44%), Long term (-66.31), Current (12.6%), Fixed asset (161%), Debtors (39.1%), PBIDTM (1.28%), PBITM (7.86%), PBDTM (24.5%), CPM (23.6%), APATM (6.453%), ROCE (22%), RONW (3.928%), has no significant increase between pre and post disinvestment period, whereas two ratios have increased and two ratios namely Inventory (315%), Interest coverage (259%) have decreased during the post disinvestment period.

* The STC industry under **Telecommunication Sector**, also have no significant increase in nine financial ratios namely, Debt-equity (0.46%), Long term (-61.67%), Current (-15.54%), Fixed asset (147%) Inventory (129%), Debtors (-4.05%), Interest coverage (-78.06%), ROCE (2.8343%), RONW (28.6%) whereas this industry has significant decrease in five financial ratios namely PBIDTM (-74.29%), PBITM (-76.07%), PBDTM (96.37%), CPM (102%), APTM (1.30%), during the post disinvestment period.

* **The Factor Analysis** extracted four factors on priority basis from the 14 financial ratios of pre disinvestment period, explaining 86.021 % of the variability of these ratios. The first factor comprises of R3, R8, R9, R10, R11 and R12 ratios and accounts 39.025 %. The second factor comprises of R6, R7, R13 and R14 ratios and accounts 22.742%. The third factor comprises of R1, R2 and R5 and accounts 15.695 %. The financial ratio R4 constituted the factor IV and accounts 8.559 %. Thus the factor analysis condensed and simplified the 14 financial ratios and grouped into four factors explaining 86.021 % of the variability of all the 14 ratios.

* **Step Wise Multiple Regression Analysis** of ROCE-X13 performed with explanatory financial ratios X1-Debt-equity, X2- Long term, X3-Current ratio, X4 –Fixed asset ratio, X5-Inventory ratio, X6 –Debtors ratio, X7- Interest coverage ratio, X8-PBIDTM (%), X9-PBIDTM (%), X10- PBDTM (%), X11- CPM (%), and X12-APATM (%) indicated that two variables namely, X7, and X6 have significantly
contributing to ROCE-X13 and explained the variations to the extent of 56.5%. The analysis of variance indicated the overall significance of the model fitted.

* The Factor analysis has extracted four factors on priority basis from the 14 financial ratios of post disinvestment period explaining 86.021% of the variability of these ratios. The six financial ratios R3, R8, R9, R10, R11 and R12 were grouped together as factor I and accounts 42.995% of the total variance. The four financial ratios R6, R7, R13 and R14 constituted the factor II and accounts 16.458% of the total variance. The 3 financial ratios R1, R2 and R6 constituted the factor III and accounts 14.255% of the total variance. The two financial ratios R4 and R5 constituted the factor IV and accounts 10.907% of the total variance.

* The step wise multiple regression model for ROCE-X13 of post disinvestment period indicated that four variables namely, X12, X11, X9, and X3 have significantly contributing to ROCE-X13. The analysis of variance of multiple regression model for X13 indicated the overall significance of the model fitted. The coefficient of determination $R^2$ value shows that these variables put together explained the variations of ROCE-X13 to the extent of 85.6%.

* The Discriminant function fitted with the explanatory variables R1-Debt-equity ratio, R2-Long term, R3-Current ratio, R4-Fixed asset ratio, R5-Inventory ratio, R6-Debtors ratio, R7-Interest coverage ratio, R8-PBIDTM, R9-PBDTM, R10-PBDTM, R11-CPM, R12-APATM classified the companies into companies with lower ROCE and companies with higher ROCE accurately to the extent of 100% and identified the four financial ratios namely R7-, R9-, R10-, and R11- are substantially important in discriminating between groups namely companies with lower ROCE and companies with higher ROCE.

* The Discriminant function for the post disinvestment period, correctly (100%) classified all the companies and the four ratios namely R9, R8, R2 and R1 which are substantially important in discriminating between groups namely companies with lower ROCE and companies with higher ROCE.

* The polynomial trend equation (step wise) namely, cubic trend equation of the form, $Y = b_0 + b_1 t + b_2 t^2 + b_3 t^3$ fitted for the ROCE in Steel and Minerals Sector indicated
that out of the 3 explanatory variables, one variable namely, \( (t)^3 \) has significantly contributing to \( Y \) and explained the variations of ROCE to the extent of 93.5 %. The analysis of variance of multiple regression model for \( Y \) indicates the over all significance of the model fitted.

* The polynomial trend equation fitted for ROCE in Fertilizer and Chemical sector indicated that out of the 3 explanatory variables, two variable namely, \( (t)^2 \) and \( (t)^3 \) have significantly contributing to \( Y \). The analysis of variance of polynomial regression model for \( Y \) indicates the over all significance of the model fitted. The coefficient of determination \( R^2 \) value shows that the three variables put together explained the variations of \( Y \) to the extent of 62.4 %.

* The polynomial trend equation fitted for ROCE in Telecommunication sector indicated that out of the three explanatory variables, one variable namely, \( (t) \) has significantly contributing to \( Y \). The analysis of variance of polynomial regression model for \( Y \) indicates the over all significance of the model fitted. The coefficient of determination \( R^2 \) value shows that the three variables put together explained the variations of \( Y \) to the extent of 67.8 %.

* The cubic trend equation fitted for the industries of Medium and Light industries in the pre disinvestment period for three financial parameters namely Fixed asset, Inventory and Investment. The ITI industry revealed significant positive trends in all the parameter.

* The Andrew and ITI industries shows significant positive trends in fixed assets, inventory and investments during the post disinvestment period.

* In SCI and STC industries under Telecommunication sector shows significant and positive trends in Fixed assets whereas in CMC and SCI industries the inventory shows significant and positive trends during pre disinvestment period.

* Both SCI and STC industries showed significant and positive trends, whereas STC shows significant and positive trends in investments.
* The trends in the HOC industry, under Fertilizer sector during Pre disinvestment period shows significant positive trends in Fixed asset and inventory; the IPC industry shows positive trend in Fixed asset and inventory; and the RCF industry shows positive trend in Fixed asset and Investment.

* The trends in HOC industry during the post disinvestment period shows significant positive trends in Fixed asset and Investments; the IPC industry shows positive trend in Investment; and the RCF industry shows positive trend in Fixed asset, Inventory and Investment.

* The trends during the pre disinvestment period in the BPC industry under Petroleum sector shows significant positive trends in Fixed asset, Inventory and Investment; the BRP industry shows significant positive trend in Fixed asset and Inventory; and the KRF industry shows positive trend in Fixed asset, Inventory and Investment.

* During the post disinvestment period the BPC industry shows significant positive trends in Fixed asset, Inventory and Investment and Investment; the BRP industry shows significant positive trend in Fixed asset, Inventory; and the KRF industry shows significant positive trend in Fixed asset and Investment.

* The DCI industry under steel and minerals sector during pre disinvestment period shows significant positive trends in Inventory; the HZL industry shows positive trend in Fixed asset, NAC shows positive trend in Fixed assets; NLC shows positive trend in Fixed assets and Investment and the SAI industry shows positive trend in Fixed asset, Inventory and Investment.

* During the post disinvestment period The DCI industry shows significant positive trends in Fixed asset and Investment; the HZL industry shows positive trend in Fixed assets and Investment, NAC shows positive trend in Fixed assets and Inventory; NLC shows positive trend in Fixed asset and Investment and the SAI industry shows positive trend in Fixed asset and Inventory.

* The Inter-Correlation matrix showed the correlation of ratios DE and LT with IC, PBITM, PBDTM, CPM, and APATM negative relationship. The correlation of all the explanatory variables with the dependent variable ROCE shows positive correlation, except the variables DE and LT.
The Path Coefficient analysis shows that the direct effect as well as the indirect effect of the ratios namely DE, LT, IC, PBITM, PBDTM, CPM AND APATM on the ROCE. The ratios LT, PBITM and APATM shows positive direct effect on ROCE, whereas the ratios DE, IC, PBDTM and CPM shows negative direct effect on ROCE. The PBITM shows high positive indirect effect via APATM on ROCE. Similarly the APATM shows high positive indirect effect via PBITM on ROCE. Thus it is concluded that the ratios PBITM and APATM are substantially important ratios responsible for ROCE.

6.3 SUGGESTIONS

For improving the performance of the Central Public Sector Enterprises India the following suggestions are made:

i. The Government has to form a policy framework for the entire disinvestment process.

ii. The Government should de-link the disinvestment process from the budgetary exercise.

iii. Government should stop setting up of the targets in every year annual budget and should have a long-term plan.

iv. A separate fund should be created for disinvestment and it should be kept under the control of president and the funds should be utilized for building infrastructure and developing the social sector.

v. Timing of disinvestment is crucial and the government should follow a specific method or process in order to reap more chunks.

vi. The entire exercise of disinvestment should be audited by not less than two reputed auditing firms in order to have a fair and transparent picture of the entire process.

vii. The government should have an ‘Yearly Action Plan’ which should spell out the activities carried out in that particular year and at the end of the year an ‘Action Taken Report’ has to be submitted.
6.4 CONCLUSION

The study on disinvestments of public sector undertakings have arrived at following conclusions:

There is no clear-cut framework or policy for disinvestment in India. The study of disinvestment for a period of 1991-92 to 2001-02 has revealed that a very meagre amount of disinvestment proceeds have been realized as against the target. The entire proceeds of disinvestment are being used to mitigate the gap fiscal deficit instead of using them for development of social sector and building infrastructure.

The government has not been concentrating on the timing of disinvestment as a result most of the private sector investors are shying away from the process because of the unattractive offers made by the government. There is no transparency in the entire process of disinvestment in India. The government has done a little or more so failed to attract foreign suitors for the disinvestment process in India.