Chapter II
Review of Literature

The main aim of this chapter is to present the major research works and their conclusion, for instance the performance of Public Sector Enterprises, Disinvestment, Memorandum of Understandings and measures of financial performances etc. The literature study reveals that there are potentials for further enquiry which focuses on the policies and reforms of Public Sector Enterprises.

Classification of Literature Reviewed:

To have a better clarification of literature review, the study has been classified into the following four major heads.

1. Evolution and Performance of Public Sector Enterprise’s in India.
2. Disinvestment and Privatisation.
3. Memorandum of Understanding and

Table 2.1
Review of Literature comes under the study of Evolution and Performance of Public Sector Enterprises in India: 1974 - 2012

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Literature Reviewed(Author)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1974</td>
<td>Public Interest And Development Perspective of Economics (Sharma)</td>
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<tr>
<td>3.</td>
<td>1986</td>
<td>Growth and Performance of Public Sector Enterprises. (Trevedi)</td>
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<td>4.</td>
<td>1988</td>
<td>Need of Reforms and Price Regulation. (Reddy)</td>
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<tr>
<td>5</td>
<td>1990</td>
<td>Compares Economic and non economic objectives of PSE’s (Narain)</td>
</tr>
<tr>
<td>6</td>
<td>1994</td>
<td>The disinvestment of Public Sector Enterprises. (Shankar and Mishra)</td>
</tr>
<tr>
<td>7</td>
<td>2002</td>
<td>Restructuring Public Sector Enterprises through Disinvestment: Some Critical Issues (Ray K.K and Maharana S.)</td>
</tr>
<tr>
<td>8</td>
<td>2007</td>
<td>A Nation in Transition: Understanding The Indian Economy” Books by (Jayshree.Sengupta)</td>
</tr>
<tr>
<td>9</td>
<td>2010</td>
<td>Can Two Wrongs Make a Right? State Ownership and Debt in a Evolution Economy (Trien Vinh Le and Jonathan P. Brien)</td>
</tr>
</tbody>
</table>

**Performance and Growth of Public Sector Enterprises in India:**

The studies relating to financial performance of Public Sector Enterprises, their contribution towards the financial development of the nation, problems faced for the economic development and measures to be adopted along with recommendations to get better performance are included in this sub-head. Table 2.1 shows the literature reviewed in this part for study.

*Sharma (1974)* has suggested that the best public interest which Public Sector Enterprises can serve is to fulfill all the desired financial and economic obligations as per the government’s norms.

According to him when government is committed to a socialist pattern of society, it will be incumbent on the government to have a decisive hand in all important matters like price fixation and earning on shareholders’ funds.

*Ahmad (1982)* has focused to show that size and nature of the Public Sector Enterprises in a country depends upon the political groups. So the problem of poor performance of Public Sector Enterprises requires action, firstly on, the government has to decide on the criteria for monitoring Public Sector Enterprises. Secondly, it has to decide a control mechanism with adequate incentives and disincentives to motivate its Public Sector Enterprises.
Trivedi (1986) has diagnosed the profile if Indian Public Sector Enterprises to find the causes for poor performance of Public Sector Enterprises in India. According to him the reasons for poor performances are

1) Intrinsically inefficient Managers
2) Control on prices of Products (Ignoring the increases in Prime Cost.)
3) Non Commercial objectives.
4) Over Employment.
5) Corruption and lack of Autonomy.

He has suggested the government to plan proper criteria for monitoring the performance of Public Sector Enterprises and implement a performance Evaluation System.

Reddy (1988) through his article highlighted the situation like price regulated atmosphere of Public Sector Enterprises, general price Policies, variance in the demand and supply (due to non availability of power fuel etc.) are the factors which led the profit makers to loss makers. Apart from this increasing fiscal deficit pulled the country for urgent economic reforms.

Narain (1990) has a comparative study of economic and non economic objectives of Public Sector Enterprises. In this study he has observed that there is no transparency about the objectives of companies in India. Either the objectives are vague, difficult to quantify or conflicting with each other. Because of the inextricably mixed up nature of economic and noneconomic objectives of Public Sector Enterprises, the judgment of overall performance was not easy.
Shankar and Mishra (1994) narrate that when country was on the economic disaster and facing the threat insolvency by external economic community, the government supported disinvestment of Public Sector Enterprises. The government point out that it failed not only to realize best value but also the other objectives of the disinvestment program.

Ray and Maharana (2002) have examined the progress of the process of Public Sector Enterprises disinvestment in India during the decade of 1991 to 2001. In terms of action to the Public Sector Enterprises disinvestment, very little has actually materialized. They advise that the controversies and criticisms against disinvestment can be avoided through a translucent process.

Jayshree Sengupta, (2007) the author narrates the role of the government in India’s economic development; this book explains the workings of the Indian economy and its changing patterns. With consideration to the middle class and their aim to increase wealth for future generations by emphasizing education and the learning of new skills, the book presents various niceties of the Indian economic system.

Trien and Jonathan (2010) recommend that state ownership and debt have unfavorable performance in Evolutioneconomies and the confluence of these two conditions may not always favourable. Their consequences authenticate that while debt and state ownership each have a negative impact on firm performance when used in separation, their interaction has a positive impact on firm performance.
Disinvestment and Privatisation:

Table 2.2
Studies related to Disinvestment and Privatisation

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Literature Reviewed (Author)</th>
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<tbody>
<tr>
<td>2.</td>
<td>1992</td>
<td>Measures of Efficiency in Private and Public Sector Industries (Jha and Sahni)</td>
</tr>
<tr>
<td>3.</td>
<td>1994</td>
<td>Analysis of Public Sector Enterprises based on post-privatization performance (Galal et.al.)</td>
</tr>
<tr>
<td>4.</td>
<td>1991</td>
<td>Articles ‘Disinvestment of Public Sector Undertakings was an unfavourable step’ (Dr. R S. Sohane and Dr. Vinod Mishra)</td>
</tr>
<tr>
<td>5.</td>
<td>1991</td>
<td>article “Disinvestment: The Process goes on” by Navita Nathani &amp; Dr. Umesh HolaniT</td>
</tr>
<tr>
<td>7.</td>
<td>1991</td>
<td>“Disinvestment of Public Sector in India” By Dr. Sunil Pahwa &amp; Sanchita Chakraborty</td>
</tr>
<tr>
<td>9.</td>
<td>2005</td>
<td>Disinvestment and Privatization in India Assessment and Options (Nagaraj R)</td>
</tr>
<tr>
<td>10.</td>
<td>2007</td>
<td>The Relationship between Privatization and Fiscal Deficit in India- An Empirical Analysis (Vadlamannati, Krishna Chaitanya)</td>
</tr>
</tbody>
</table>
Navita Nathani & Dr. Umesh Holani. T in their article titled “Disinvestment: The Process goes on” discussed on Public Sector, Issues for Reforms, Present Scenario, Disinvestment Commission, Why Disinvestment? and ultimately pointed out various suggestions. According to them the most crucial problems of public sector undertakings was that they were exposed to competition without any of the relative decision making freedom and flexibility as in case of private companies. The government needs to be more systematic and vigorous at least towards the private investors and those who are going to manage these organizations in post disinvestment regime. As per their view transparency in the process does not mean that one should consult and talk to the investor high degree on minute aspects. Govt. has to position reform minded officers, equally important for the Govt. to examine the role to be played by the management of the unit being sold in the transaction. Another important issue mentioned
in this article was that transaction are really meant for long term value enhancement and not short term monitory gains. So the expectations within the political groups have to be managed to be more realistic in the amount of money obtained from the deal. Actually disinvestment is a difficult process involving many strong stockholders with extremely contradictory purposes. Our economic and political condition is yet not conducive to such a process. Finally they conclude the article by saying that, it is clear that the ability to balance two things i.e. running business successfully and employees of disinvested firm receives fair deal will determine the success of exercise.

Mishra and Nandagopal (1989) discuss the viability of the privatization of Public Sector Enterprises; their turnover test ranked the nationalized industries in terms of the business performance and they suggested that privatization of the industries could maximize consumer welfare.

Dr. Harshavardhan Halve & Prof Anurag Singh in their article named Valuation Models of P.S.U.’S for Disinvestment Purpose has highlighted about the objectives of the disinvestment, disinvestment methods, opting for one or more of the following methods can complete the disinvestment process, valuation models and earning approach. According to him valuation of business is an art as well as science. Bottom line is the worth what a buyer is ready or willing to pay. So the value of an entity means the value as perceived by the involved parties. There are various methods to arrive at a reasonable estimation and one cannot relay on one specific method. Therefore a Public sector undertakings may be valued by a number of different methods or use an average (or more likely weighted average that gives more weight to some methods than others) of the various methods used. Buyer may ask for the 'Logic' behind an asking price. The better answer to this will enhance the chances of selling the Public Sector Undertakings for the good price without the interference of politics as in case of many developing countries. Thus the valuation is a complex matter and the government is required to move towards a transparent valuation process acceptable for both the government and the public at large. In actual business world there is no such so called risk situation. The higher the supposed risk higher return will be there which will lower the value of business entity or Public Sector Undertakings. Thus the valuation is a complex exercise as different methods yield
different 'values' and the person who fix the values may arrive at different values depending upon their perceptions of future scenario, expected rate of return, associated risks, etc. So the most excellent approach is to develop a suitable integrated approach rather than taking average of values arrived at by adopting dissimilar methods. In short ransparency in valuations is a must so as to prevent the corruption.

Dr. Sunil Pahwa & Sanchita Chakraborty in their articles “Disinvestment of Public Sector in India” explained very genuinely on Why Disinvestment?, Genesis of Disinvestment in India and HPCL/BPCL Disinvestment. According to them we cannot foresee what will happen in the next fifty years so it is difficult to predict about the shape of then the Indian economy. But at present it is clear that the government moving away from economic activities. This is not a situation prevailed in India but it is a global perspective. They further say that the basic principle of welfare economy is greatest good of the greatest numbers. In the upcoming years human society will progress through the clash of opinions about ways and means so a harmonious combination of both market and government is what is needed for economic welfare of man?

Himanshu D. Pandya & Dizarmavirsinh B. Rana pointed out in their article named ‘Disinvestment of Public – Sector’ that the Indian public sectors as well as our private sector are suffering lots of problem through globalisation. According to him financing low cost of raw material, extreme management productivity of machinery, research and development as well as high rate of loan, high cost of capital etc; are the type of problem faced by our sick units and compelling them to stop their work. In short the new economic policy was much challenging for many units.

Jha and Sahni (1992) based on Annual Survey of Industrial Data of more than two decade for the years from 1960-61 to 1982-83 of Industries based Cement, Cotton Textiles, Electricity, and Iron & Steel in a study point out that the latter two Industries claim primarily in the public sector while the first two are owned predominantly by private interests. In the research the authors found no proof of allocative inefficiencies. So the author claims that each of the unit is relatively as efficient as one another.
Galal et.al. (1994) examines the post-privatization performance of twelve companies in Chile, Malaysia, Mexico and UK to find out whether the transfer of ownership has increased efficiency. The authors considered net welfare gains in eleven of the twelve cases. According to them, it is unjust to hold privatization held responsible for all the problems of transition. They considered the financial performance, improvement in profitability, real sales, sales efficiency and dividend payout has been recorded. Leverage ratios have also turned down.

Dr. R.S. Sohane & Dr. Vinod Mishra in their article named “Disinvestment Policy in Public Sector: an Unfavorable Step” have discussed about Disinvestment Programme and Strategy, Disinvestment Programme - Objectives and Progress, Effect of Disinvestment process on ownership and Evaluation of Disinvestment Programme with the example of two Indian Public Sector Undertakings. According to them the new economic strategy has been made to uproot the weakness of Indian economy. So the background of Disinvestment Policy was not for the betterment of Public Sector Undertakings but to utilise the disinvestment money in infrastructure development of the country and remove the weaknesses of inefficient units and there by ultimately to surrender the ownership and management of mainly Loss-making public enterprises in the hands of private sector and to make a maximum participation of govt. in the field of social welfare. This policy also aims to appoint professional managers in Loss-making public sectors units and also provide Managerial Autonomy in such unit.

Naik (2001) has pointed the disparities existed between plans drawn up and the actual achievement in the process of reforms relating to privatization of PSEs since 1991. He is of the opinion that the process of reforms has not moved beyond the limited divestment of equity in select profit-making public sector undertakings.

Nagaraj (2005) explain that disinvestment is not likely to affect economic performance, since the state continues to be governing the shareholder, whose behavior is unlikely to be influenced by share price movements (or return on equity). Privatization can be influenced economic outcome in a competitive environment; if not, it would be difficult to attribute changes in performance or mainly to the changes in ownership.


Krishna V Chaitanya (2007) says that India is one of the fast emerging economies striving to control its deficit by all possible measures in the form of economic reforms. His study over six years suggests that Disinvestment/privatization as one of the measures of economic reforms implemented in 1990-91 in India which resulted in privatizing about thirty Public Sector Enterprises in the country.

Disinvestment Manual, Department of Disinvestment (2007) contains no standard recipe for Disinvestment in Public Sector Enterprises at national or state level. It suggests that country would do well to learn from the successful experiences of the west. The final analysis suggests that the country would have to evolve its own techniques, suited to its level of development. The main purpose of this manual is to expose this process and to share with policy makers, the national and international experience on implementation of privatization over the period.

Eskil et al (2008) finds the differences in performance between private companies and state owned enterprises. They use a panel covering all registered companies during the 1990s in Norway, a country where state owned enterprises play an important role in regular markets. Return on assets as well as costs relative to sales revenue are used as measures of performance in markets where private companies and state owned enterprises compete with each other. Overall, private companies perform significantly better than state owned enterprises. The study reveals that state owned enterprises managers may learn from private company’s managers in environments with stronger competition, but finds only weak empirical support for such a learning mechanism.

Arnold et. al. (2008) suggest that conventional explanations for the post 1991 growth of India’s manufacturing sector have focused on goods, trade liberalization and industrial de-licensing. However the pace of policy reforms is determined by political considerations. The de-licensing policy bought a dramatic response from foreign and domestic providers, Foreign Direct Investment inflows into services following liberalizations into other sectors.

According to them there is a strong and significant link between progress in services reform and productivity in manufacturing industries. They also investigate the relative contribution of reform in each of the service sectors to the productivity of manufacturing firms.
and find that liberalization in the banking and telecommunication sectors had the largest productivity effects on manufacturing firms over the period.

**Shivendu (2008)** finds that privatization problem have not been driven by ideological or efficiency reasons. It is run by the cost- benefit tradeoffs made by politicians. Through the study of 43 countries on more than 4700 Privatisation transactions the author highlight that the economics of privatization often dominates its politics. He has further point out that support for institutional quality as consistent and significant determinant of proportion of partial privatization. Surprisingly, the countries having higher corruption led to have higher proportion of privatization in competitive sector, but lower privatization in core sector.

**Kumar Das (2009)** in his studies associated with sustainable privatization of infrastructure projects offer a way for government to make infrastructure delivery more effective and efficient than public provision. According to him there is value for money to government from entering in to Public-Private partnerships in infrastructure. Disinvestment leads to significant improvement in profitability, efficiency and real output of firms, besides providing some fiscal boost to government.

**Estrin et.al (2009)** narrates the effects of privatization from the experiences of Evolutioneconomies. They differentiate the impact of privatization on efficiency, profitability, revenues and on other indicators. The consequence of privatization is mostly positive in Central Europe, but quantitatively slighter than that to foreign owners and larger in the later than earlier Evolution period. According to him the privatization to foreign owners yields a positive or significant effect while privatization to domestic owners generates a negative or not worth mentioning effect.

**Omrane and Jeffrey (2011)** analyses a sample of 1866 privatizations from 37 countries and estimate the impact of disclosure standards and legal institutions that discipline auditors on the method chosen for the divestiture of state-owned enterprises. The disagreement between minority and controlling shareholders can slow down a government from privatizing by selling its stake to disperse investors in the public capital market with a share-issue privatization that generates important pour out to economic benefits, rather than an asset sale to a small group of
buyers. They find that share-issue privatization become more likely when countries command strict disclosure standards, although result is sensitive to model measurement. Investors value reforms that subject auditors to more severe private and public enforcement over several other legal determinants, including enhancing disclosure standards.

**Memorandum of Understanding:**
A short review of the studies relating to memorandum of understanding has been enumerated in the following Tables 2.3.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Literature Reviewed (Author)</th>
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<tbody>
<tr>
<td>1.</td>
<td>1990</td>
<td>Impact of MoU on the performance of Public Sector Enterprises. (Murthy)</td>
</tr>
<tr>
<td>2.</td>
<td>1990</td>
<td>Ability and purpose of MoU. (Trivedi)</td>
</tr>
<tr>
<td>3.</td>
<td>1991</td>
<td>Conceptual foundation and usefulness of MoU. (Trivedi)</td>
</tr>
<tr>
<td>4.</td>
<td>1991</td>
<td>Results achieved due to MoU. (Trivedi)</td>
</tr>
<tr>
<td>11.</td>
<td>2005</td>
<td>Composite criteria for MoU. (Nagaraj)</td>
</tr>
<tr>
<td>12.</td>
<td>2005</td>
<td>Case studies of Indian reforms. (Sangeetha)</td>
</tr>
<tr>
<td>13.</td>
<td>2009</td>
<td>Development of Organisation and competencies. (Saroj Kaul)</td>
</tr>
<tr>
<td>14.</td>
<td>2010</td>
<td>MoU’s under different Public Organisations. (Accord Fintech)</td>
</tr>
<tr>
<td>15.</td>
<td>2012</td>
<td>New government guide lines for changes in business. (Raj)</td>
</tr>
<tr>
<td>16.</td>
<td>2012</td>
<td>Mechanism of MoU. (Shantanu)</td>
</tr>
<tr>
<td>17.</td>
<td>2012</td>
<td>MoU system and its importance. (Mahapatra)</td>
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</table>
Murthy (1990) explains that the policy of MoU is a good and bad news story. Positive signal is an increase in the level of interest and awareness regarding the existence of MoU Policy. The negative aspect is that it is unfortunately quite inaccurate and lack of clarity regarding the current status of Memorandum Of Understanding Policy.

Trivedi (1991) states the conceptual foundation of the MoU Policy and offers an explanation for widespread understanding regarding this policy. During this stage the performance evaluation of Public Enterprises by the government has undergone a revolutionary change. In short the aim of Industrial Policy Resolution of 1956 implementation has been carried out after introducing the policy of MoU in the 1990s.

Nagaraj (2005) has described that after the implementation of new Economic Policy 1991, profitability became the yardstick of measuring Public Sector Enterprises performances. This can be clearly understood through the financial performance ratios in the MoU. By 1993-94, 50% weight age was given to financial profitability (nearly 20% to return on assets) in the composite score evaluation of targets set under MoU, by all most all Public Sector Enterprises signing MoUs.

Sangeeta (2005) in her case study analysis states that India managed both Private and Public sector over a decade (1990-2000) through various reforms techniques like functional autonomy to Indian Public Sector Enterprise managers through signing of MoUs, de-reservation of various sectors and hard budget constrains which led pressure on Public Sector Enterprises to live within their own budget.

Saroj Koul (2009) has analyzed the development of the organizational structure, functions and competencies of the corporate communication or public relation in the department of the Public Sector Enterprises in India. She reveals that the development of full-fledged corporate communication departments is still at a budding stage; however in some Public Sector Enterprises the development of corporate communication is already streamlined with company vision and is mature as a division. In established corporate communication departments,
corporate communication is a strategic management tool, synchronizing all intentional forms of internal and external communications, thus helping the Public Sector Enterprises to define its corporate image and improve corporate performance.

Accord fintech (2010) has mentioned that economic reform through MoU was a blessing to Neyveli Lignite Corporation and Uttar Pradesh Rajya Vidyut Utpadan Nigam Ltd. Neyveli Lignite Corporation’s net profit stood at 273.71 Crore for a quarter ended 30 September 2010 compared to Rs.243.59 Crore for the quarter ended 30 September 2009, up by 12.36%. Its total income had increased by 17.71% to Rs.1229.60 Crore for the quarter ended 30 September 2010 from Rs.1044.58 Crore for the corresponding quarter of the previous year.

Raj (2012) indicates that the Indian government suggested new guidelines for achieving the investment targets of Public Sector Enterprises by allowing changes in business conditions or even to revise their commitments also. He has suggested that in case of unrealistic targets set by MoUs greater operational flexibility should be encouraged. In case of Maharatnas and Navaratnas the author proposes to revise the MoU targets because there is a change in the business environment.

Shantanu (2012) states that target setting mechanism (i.e. Memorandum of Understanding) is crucial for many profit making central Public Sector Enterprises like ONGC, Indian Oil, Coal India, NTPC etc.

Further the author opines that bringing the loss making Public Sector Enterprises into the sphere of MoU system is a challenging task. The department of Public Sector Enterprises formed panel which examines the possibility of different MoU formats for different sizes and categories of Central Public Sector Enterprises including Maharatna and Navratna companies.

Mohapatra (2012) has explained the role, purpose and usage of MoU system. In India, MoU System (i.e. the system through which management of the enterprise is made accountable to the government through a promise of performance or “Performance Contract”) was first introduced in 1986.
This system was beneficial for many Public Sector Enterprises but, was critical to the
turnaround of many enterprises like National Building Construction Corporation Ltd,
Electronic Corporation of India Ltd, and Engineering Projects India Ltd. etc.

**Measures of Financial Performances:**
The brief outline of the studies relating to the financial performances has been presented
below:

**Table 2.4**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Literature Reviewed (Author)</th>
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<tbody>
<tr>
<td>1.</td>
<td>1985</td>
<td>Weakness of Cost benefits Analysis. (Barbro)</td>
</tr>
<tr>
<td>2.</td>
<td>1988</td>
<td>Measures To Asses Operational And Allocation Efficiency. (Jain)</td>
</tr>
<tr>
<td>3.</td>
<td>1989</td>
<td>Profitability measures &amp; concentration ratios. (Boardman &amp; Vining)</td>
</tr>
<tr>
<td>4.</td>
<td>1990</td>
<td>Factors Associated With Public Sector Enterprises. (Sheikh)</td>
</tr>
<tr>
<td>5.</td>
<td>1991</td>
<td>Ratio Analysis To Asses Profitability. (Vickers And Yarrow)</td>
</tr>
<tr>
<td>7.</td>
<td>1992</td>
<td>Case Study Approach. (Kumar )</td>
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<tr>
<td>8.</td>
<td>1993</td>
<td>Regression Technique. ( Murli )</td>
</tr>
<tr>
<td>11.</td>
<td>1998</td>
<td>Accounting Performance Measures. (Bonbakri And Cosset)</td>
</tr>
</tbody>
</table>
Barbro (1985) has a negative opinion about the cost benefit analysis. According to him cost benefit analysis is not preferable as a basis for decision making and business accounting expressed in annual reports, does not give an altogether true and valid picture, but it is less subject to manipulation and biased as compared to the cost benefit analysis.

Jain (1988) has given prominence on operational and distribution of efficiency criteria to evaluate the financial performance of Industrial Finance Corporation of India, an important development bank of that time. As per the view of author operational efficiency should be used to judge its efficiency as financial institution and allocation efficiency criteria for its developmental functions.

Sarkar et al. (1989): From the financial details of summarized annual reports of Reserve Bank of India analysed the combined Balance Sheet of Public Limited Companies. They evaluated return on capital employed, return on total assets and return on shareholders’ equity. According to them, the profit before interest and tax to the total net assets is an appropriate measure to assess the total impact on economy, profit before interest and tax to effective capital employed for ascertaining the effectiveness of the management and profit after interest and tax to net worth from shareholders point of view. As per their analysis profitability to capital in India appears to be slightly low in both Private and Public Enterprises.

Sheikh (1990) narrates that the Private and Public Enterprises have not functioned to their expectations due to many of factors. In particular, there has been growing concern over their poor financial performance and the subsequent financial load upon developing countries (like India) which is viewed as unsustainable in the long run.

Vickers and Yarrow (1991) examined the profitability of the Public and Private industrial firms from 1970 to 1985. They came across the fact that average profitability for private firms is always higher. On an average, the ratio of gross trading profit(before allowance for stock appreciation and depreciation) to net capital stock for privately owned companies has been about three times higher than the nearest equivalent measure for public corporations.
Boardman and Vining (1989, 1992) compare the performance of Private Corporations, State Owned Enterprises and Mixed Enterprises among the largest non industrial corporations. For analysis they used four profitability measures.

1) Return on Equity  
2) Return on Assets  
3) Return on Sales &  
4) Net Income

They used two procedures to examine aspects related to competence like sales per employee and Sales per Rupee of Asset. In order to reflect the competitive position of each firm, they included assets, sales, employees and a measure of market share. Assets, sales, employees’ measure size, they reflect economics of scale and to some extent, the market power also.

Kumar (1992) has examined the performance of privatized companies and classified them in to two categories. Firstly, before and after divesture performance of enterprises is compared, and then the performance of enterprises after divesture is compared to some benchmark. This approach, however, is applicable only in a static environment. In reality, changes in enterprises performance could be driven by changes in the economic environment rather than by divesture. Thus in individual case studies, it is difficult to separate the effect of divestiture from other factors such as growth of economy, policies of liberalization and deregulation.

Murli (1993) opines that a modified regression technique known as polar regression is best to discriminate between financial ratios to cut off a set of more significant ratios appropriate for performance analysis.

Megginson et. al. (1994) has used the set of following financial ratios for analyzing the financial impact due to privatization.

For Profitability: - Return on Sales, Return on Assets and Return on Equity.

For Operating Efficiency: - Sales Efficiency (Sales/Number of Employees) and Net Income Efficiency (Net Income/Number of Employees)

For Employment: - Total Employment (In terms of total Number of
For Leverage: - Debt to Assets and Long term Debt to Equity.
For payout: - Cash Dividend/Net Income
For Capital Investment: - Capital Expenditure to Sales & Capital Expenditure to Assets.
For Output: - Real Sales. (Nominal Sales/Consumer Price Index)

Banbakri and Cosset (1998) have analyzed the change in the financial and operating performance of 79 companies from 21 developing countries that have experienced full or partial privatization during the period from 1980 to 1992.

Hamsalakshmi. R. And Manicham. M (2005) to analyse the financial performance of software companies in India taking a sample size of thirty four covering a period of five years from 1997-98 to 2001-2002. The study examines the structure of liquidity position, leverage position and profitability position on the basis of their average result over the years.

The study revealed that liquidity position and working capital were favorable during the study. The companies under study relied more upon internal financing than on debt financing. Return on Investment and Return on Equity Proved that overall profitability position of selected software companies had been increasing at a moderate rate.

Khatik S.K and Singh P.K (2005) have been made an attempt to evaluate the profitability and financial health of IDBI through the application of the technique of Ratio Analysis. Capital adequacy ratio, non-performing assets, priority sector advances, statutory liquidity ratio, cash reserve ratio and credit deposit ratio have been used in the study. The study revealed that the bank emphasized on lowering the cost of deposits, improving fee based income, operational efficiency and managing cost. The challenges facing the bank were massive but it has made commendable progress during the last few years.
References


11. Dr. Sunil Pahwa & Sanchita Chakraborty in an Article named “Disinvestment of Public Sector in India”


18. Himanshu D. Pandya* Dizarmavirsinh B. Rana , By “Disinvestment of Public – Sector” (Article)


23. Narain, Compares Economic and non economic objectives of PSE’s (1990), The Impact of Disinvestment and Self Obligation on Financial Performance Pramod Kumar Jain


30. “Disinvestment Policy in Public Sector : Unfavorable Step” By Dr. R.S. Sohane & Dr. Vinod Mishra.(Article)


