CHAPTER - II

RESEARCH DESIGN AND METHODOLOGY

This chapter outlines the statement of the problems followed by an extensive analytical review of Literature (both in global as well as in Bangladesh perspective). Logical description as regards the need for the study, scope and objectives of the study, the research hypotheses, research methodology i.e. the approach, data collection, data analysis and interpretations have also been succinctly presented along with limitations of the present study. The subject matter of this chapter has been arranged in the following order:

2.1 Statement Of The Problems.

2.2 Review Of Literature:
   a. Introduction,
   b. Survey Of Literature On Ideological And Conceptual Aspects Of Privatization.
   c. Literature Available on Global Experience of Privatization.
   d. Literature Review On Privatization In Bangladesh,

2.3 Need For The Study.

2.4 Scope Of The Study.

2.5 Objectives Of The Study.

2.6 Hypotheses Of The Study.

2.7 Research Methodology
   a. Study Approach,
   b. Data Collection,
   c. Data Analysis And Interpretations.

2.8 Limitations Of The Study.

2.9 Conclusion.

References.
2.1 Statement Of The Problems:

The decade of 1960s and '70s were attributed to the fast growth and development of public enterprises the world over and it was considered, at that time, a dominant part of the economy. But after '70s, the wind of public enterprises phenomenon began to change chiefly because of nagging performance of the State-Owned Enterprises (SOEs). A large number of State Owned Enterprises (SOEs) proved economically unviable, inefficient and unproductive incurring heavy losses and created heavy pressure on public budget. It became almost impossible for the government to run these loss making State-Owned Enterprises (SOEs). As a consequence, since 1980, the economic reforms through privatization gained credence all over the world and reached pinnacle of popularity by '90s, specially with the decline of communism in Eastern and Central Europe as well as integration of German Democratic Republic (GDR) in 1989. In this decade, more than 2000 State-Owned Enterprises, (SOEs) were privatized in the developing countries and altogether 6,800 SOEs the world over. In the 1980s, the developed countries such as the United States and the United Kingdom gave forceful ideological support to privatization. The intellectual debate on privatization and restructuring of the economy created interest in the privatization programme. The international agencies were also influenced by the opinions in favour of privatization and accordingly contributed towards it. With this background, more and more states began shifting State-Owned Enterprises (SOEs) to the private sectors in both developed and developing countries.

The spectacular growth of public sector in Bangladesh during the post liberation period (1971-75) was the outcome of some incidental and political reasons. The war of liberation left the country's infrastructure totally devastated. Industrial and commercial enterprises were closed down. The mass exodus of Pakistani entrepreneurs, managers and skilled manpower created a vacuum in the area of industrial and commercial management.

Under these circumstances, the government took over the abandoned business; and, at the same time, the government announced to socialise the country's means of production. Thus "85 per cent of industrial assets were nationalised in 1972". But the government failed to run the State-Owned Enterprises profitably and efficiently for a variety of reasons of which 'mismanagement, corruption, and lack of accountability' were prominent. The ever increasing losses of these SOEs exerted heavy pressure on the country's fiscal situation. In 1976, the new government understanding the failure of the public sector in the economy, discarded the socialist approach and adopted new policy of denationalisation or privatization of public enterprises. "Since then the successive governments in Bangladesh have divested 609 industrial enterprises, 2 banks, and an estimated 465 commercial business for a grand total of 1076 units upto mid 1988".
The present government has also adopted the policy of privatization of textiles, steel and engineering, chemicals, sugar and shares of multinational companies.

In a few words, privatization in Bangladesh is the outcome of political and economic events. During 1971-75, the political factors forced the State to nationalise business abandoned by Pakistanis. The government undertook rehabilitation of all the closed industrial units. In the subsequent period, 1976-81, the State initiated 'privatization' of these units for efficiency and commercial viability. Since 1982, the economy has been restrengthened to meet global competition. In a short span of 15 years, the economy has passed through sudden and swift changes. It has created all the problems of economic adjustment, adaptation and reorganization in fast changing global scenario.

The present study is the serious endeavour to bring in focus in depth analysis of all the issues arising from privatization in Bangladesh.

2.2 Review of Literature:

In this section an incisive analysis of the contents of available literature on different aspects of privatization has been reviewed at length. The whole review of literature for the present study has been segmented into four parts which are as follows:

(a) Survey of literature on Ideological and conceptual aspects of privatization.
(b) Literature available on Global Experience of Privatization.
(c) Literature review of privatization in Bangladesh.
(d) Analysis of Major Empirical findings of the review of literature.

The succeeding paragraphs take into account a detailed review of literature on privatization in two broader perspectives - global in general and Bangladesh in particular which makes the focal theme of the present study.

(a) Ideological And Conceptual Aspects Of Privatization:

Rosen and Michall (1987) in their article entitled "How well is employee ownership working?", highlighted the employee ownership plans in privatization that on Employee Stock Ownership Plan (ESOP), companies, employees have gained financially and companies have grown much faster. Because ownership has provided a strong incentive for employees to work productively and opportunities for participation has enhanced productivity by providing channels for workers ideas and talents.

Baquer (1989) in his article captioned "privatization of enterprises", viewed that privatization of public enterprise can be done in various ways like divestiture of government economic activities, individualization of economic activities,
reprivatization, deregulation, contracting out and voucher system. The success of privatization policy depends on accurately identification of the impediments and their sources as well as the means to find the way around those impediments.

Barnekov and Raffel (1990) highlighted on productivity of services among the public and private enterprises. They claimed that the shift from public to private provision of a service is no panacea for greater productivity. The best opportunity for improving productivity using privatization occurs when the service is easily measured and monitored, but productivity effects are more ambiguous when the situation is complex, as in such fields as human services and education.

A paper on "A Guide to Privatization" presented by International Chamber of Commerce (ICC) Paris (1990) focussed on different issues as well as different types of privatization, its relevance to apply in different situation of different countries.

Momtazuddin (1991) in his article entitled "Privatization: present status and future potentials as policy options for development", presents a conceptual guide line regarding privatization. He expressed his opinion that privatization should be considered from both economic and ideological view points. From economic point of view, privatization is identified as a means of increasing output, improvement of quality and minimization of cost. On the other hand, from the philosophical point of view, privatization broaden the base of ownerships that an individual has a stake in the economic system.

Prasad (1991) opined that public enterprises lack autonomy. It is bureaucracy which takes major decisions for the organisation. On the other hand, the private sector organisation model has several elements which ensure efficient management apart from market forces.

Singh (1991) throws light on a basic issue that whether the new pattern of ownership leading to privatization of public sector undertakings results in greater efficiency or not. The resource factor and management factor are the two cardinal elements which need to be considered in any move on privatization.

Mohnot (1991) has made an attempt to conceptualize the enterprise models and their comparative advantage in the context of privatization. It brings into bold relief the criticality of transfer of management for privatization and considers that transfer of ownership is only a partial step towards the transformation.

Chelliah (1991) opines that the resource crunch is a crucial factor for government's decision making in the shift from public to private sector. There is a basic need for market discipline that can not be wholly ensured under public enterprise.

Goodman and Loveman (1991) express that the success of privatization depends on managerial performance that how and in what extent the management
works for public interest. For successful privatization a competitive market should be there. Accountability and consonance with the public interest should be guiding light.

Athreya (1991) in his article entitled "Alternative Models for Privatization", examines the issue of privatization with the parallel concepts of people-isation, de-governamentalization and marketization. He also evaluates different types interventions towards privatization, like-government majority, government controlled, joint sector and total privatization. He has examined all the four models and presented a cost- benefit analysis of these models from government point of view. He found each of the model is suitable for different types of product and services and national or regional sub-cultures.

Reddy (1991)' favours the development of the theory on privatization distinguishing the concept of macro from micro privatization. To operationalise the concept of relative efficiencies, the author presented a five-tier approach and outlines a process design for privatizing public enterprises.

Jones and his associates (1991) in their one of the significant studies developed and suggested an analytical cost-benefit frame work which can be used here to answer the three basic questions relating to privatization process. These are (a) Should the State Owned Enterprises be sold? (b) To whom should it be sold? (c) At what price should it be sold? They also identified the misconception in society about the value of public enterprises as the government hesitates to sell profit making enterprises while private buyers are not interested to buy losing concern. By using the same cost-benefit frame work one can also evaluate the post privatization effect.

Jonathan and Szymanski (1992) in their article captioned "A Bargaining Theory of Privatization", made the comparison between public and private sector that public sector firms have wider social objectives, wages are high because unions have a larger surplus over which to bargain, so they make losses. On the other hand, the private sector firms have purely commercial objectives. They restrict output and employment and unions obtain lower wages, so they make profits.

Guislain (1992) illustrates critical legal issues arising in the context of the transfer of public issues arising in the context of the transfer of public assets to the private sector focussing in particular on the sale of State-Owned Enterprises (SOEs). He underlines the importance of proper legal analysis and inputs at all stages of the divestiture process, legal constraints to divestiture need to be identified and then removed inorder to divest successfully.

Heald (1992) in his research article entitled "How much Privatization Should there be in Developing Countries?", notes that there should be extensive divestiture of public enterprises in competitive or potentially competitive sectors. He has also mentioned that divestiture should be viewed as either a policy objective
or as an instrument for attaining efficiency.

Bishop and David (1992) advocate that change of ownership brings about the change in regulatory environment which compels the organization to perform more effectively.

Lieberman (1993) states that privatization of SOEs should be viewed as a critical element of economic adjustment. He identifies the underlying rationale for privatization as it reduces the government's operating deficit, raises cash through State-Owned Enterprises (SOEs) sales, reduces external debt, increases productive and operating efficiency etc. and cautions against pitfalls to successful programmes implementation.

Reddy (1993) in an article entitled "Privatization as Development Strategy", observes that privatization by itself does not automatically lead to better efficiency but needs to accompany overall packages of employment, technology modernization, productivity and professional management. It reduces government's budgetary commitments, political and bureaucratic interference and ensures overall economic development. So, the process of privatization may become an instrument of public enterprise reform and development of economy.

Henry and White (1993) have examined the implication of two techniques of privatization viz, Build-Operate-Own and Build-Operate-Transfer. They have also focused on the success of Malaysian privatization programme following these techniques.

Schregle (1993) in his article, "Privatization And Industrial Relations: General Perspective," has highlighted some of the major industrial relations problems arising from privatization. If privatization policies are to be carried through with a minimum of labour troubles and a maximum of economic, social and political stability and efficiency, it is required to promote a close, constructive dialogue between public authorities, employees organisations and trade unions.

Sunita Kikeri and others (1994) in their research paper captioned, "Privatization: Lesson from Market Economies", examine the objectives of privatization and the strategies for achieving them in both competitive and non-competitive markets. The authors analysed the various tactics that can be or have been employed in relation to scope, pace, sequencing and methods of implementation. The evidence shows that privatization produces benefits of efficiency if done right.

Deogirikar (1994) in his research paper "Privatization: A Global Survey", concludes that the strategy of reform for the less developed countries should be improvement of efficiency. The success of privatization depends on economic, political and social factor and managerial considerations.
Bhaskaran (1994) viewed that talking about privatization is easy but implementing it may not be so. The transition needs to be brought in very carefully and the impediments need to be tackled tactfully. There is need to do the homework in a systematic manner; only then can we bring about the desired change without pain, panic and trauma.

Chowdhury and Amarendra (1994) in their research paper entitled "A New Philosophy of Regeneration", observed that privatization may improve efficiency and productivity but government must play a watchdog role for protecting the interest of consumers, poor sections of society and to ensure more benefits from privatization.

Fadnavis (1994) favours competition which in his opinion ensures efficiency. He strongly feels that privatization is not a panacea for all economic problems in any country. It should be identified that in what circumstances privatization can work better.

Guha (1994) in his article "Privatization: No Easy Solution", viewed that private sector participants should have the provision of fixing manpower wages, making job descriptions etc. Labour law should be reluctant in order to employ managerial personnel from the market. The author further stated that tariff structure, corporate tax structure, interest rate should be favourable to private owners.

(b) Privatization In Global Perspectives:

Sikorski (1989) using the case study on privately owned and two State-Owned shipyards in Singapore, examines that the State Owned Enterprises differ in performance and behaviour from private enterprises. The state enterprises perform very well, primarily due to superior and innovative management teams.

Seng (1989) cited the example of the Chinese privatization programme. China has attempted to remove the bureaucracy from the public enterprises which is quite relevant to the issue of privatization. The market oriented reform in China depends on whether public enterprises can compete in a market environment after obtaining independence from the government.

Edozien and Adeoye (1989) made an interesting study as regards privatization in Nigeria. He reveals in his study that Nigeria has followed multiple options of privatization. A properly implemented privatization programme has the potential to promote productivity and profitability. Private sector in Nigeria has developed sufficient know-how to be able to take over the investments that will result from divestiture.

Sullivan (1989) in his significant study pertaining to privatization in Ethiopia, Malawi and Uganda reveals that in Malawi, all options of privatization
have been opened whereas commercialization rather than privatization are considered in socialist Ethiopia. Malawi and Uganda have accepted privatization as a strategy of increasing efficiency and return on capital. All these countries have formed commission that can play a vital role regarding privatization.

Felipe Ortiz (1989) expressed that the participation of the Peruvian state in entrepreneurial activities is a recent political process. Privatization debate has been continuing since 1975 and little has been achieved since 1988, because the economy is so heavily public enterprise dominated.

Chwee-Huat (1991) in his research paper entitled "Issues and Problems in Privatization," highlighted the role played by public enterprises in the economic development of the ASEAN (Association of South East Asian Nations) countries. His main focus seems to be on rationale for privatization. He also focuses on the issues and problems encountered in implementing the privatization plans.

Buck, Tohmpson and Wright (1991) has presented an empirical evidence on the performance of different modes of privatization in Britain-Flotations, direct sales, employee and management buyouts and discussed the trade-offs involved in each one of these and their suitability in the context of Eastern Europe.

Lee and Nellies (1991) have studied the reform programmes taken by seven socialist countries, such as, Algeria, China, Hungary, Laos, Mozambique, Poland and Yugoslavia. These countries have tried long to improve the performance of SOEs by restructuring. Recent reforms in most of these countries broaden the choice of instruments by including privatization and liquidation.

Valenti (1991) has highlighted on Hungarian Privatization that after passing a series of laws Hungary is all set for privatization. The study further considers the possible threats of failure in the implementation of the process in Hungary.

Mejstrick (1991) has critically reviewed the historical background of the current privatization drive in the central and the Eastern Europe and mainstream of privatization thinking in Czechoslovakia as well as problem encountered in implementation of privatization.

Willson (1991) discusses about Polish privatization that after a long debate it took a variety of privatization modalities and developed a detailed strategy. The study also presents the first privatization and suggests what lessons Polish experiences hold for reform and privatization strategies in other reforming socialist economies.

Okonkwo (1991) in his study entitled "The Political Economy of Privatization in Nigeria" observes that the structural adjustment programme in Nigeria is designed to improve the efficiency of public enterprises to turn them into
profitable undertakings. Ownership may not be the most important question. The real issue is to increase competitive pressure accompanied by managerial reform.

Vokmir (1991) has made study as regards Croatia's Privatization law, and types of privatization-sale, additional investment, conversion of invested assets and claims into capital participation, distribution of shares to funds-and the guidelines with detail procedures for privatization at the enterprise level.

Mark Higson (1991) has studied the illness of SOEs and comparative advantages and disadvantages of Privatization in the U.K. Privatization has gained more benefits than the costs involved with it, such as, financial soundness efficiency, development of concept of ownership etc.

Adda (1991) presented the Ghanaian SOEs reform programme, divestiture and privatization programme, its success and obstacles. Though there were some problems, however, the divestiture programme was successful because of raising sufficient funds to the governments treasury.

Stephenson (1991) highlighted major characteristics of privatization in different countries, problems faced by the British experiment along with its achievements. He also stated that in developing countries most of the privatization efforts focus on assets sales, where capital markets are relatively small, the privatization programme shall have of necessity, to be gradual.

Dalal (1991) viewed the diverse approaches and experiences of privatization programmes in different countries. He concluded in his study that success of privatization in planned economies (China, Vietnam) depended on the reform of their legal system and the induction of professionals in management.

Cakmak and Zaim (1992) observed through a study on "Privatization and Comparative Efficiency of Public and Private Enterprises in Turkey - The Cement Industry that to promote productive efficiency there must be a competitive environment rather than transfer of ownership.

John Moore (1992) highlighted on the tremendous success of British Privatization. In 1989-90, the U.K. government raised a large amount, riched the treasury and rescued the economy through privatizing SOEs. For successful of large scale privatization, the policy of widening the market for shares as well as the concept of ownership among people must be ensured.

McDonald (1993) studied the privatization of the Eastern Europe. He summed up his conclusion that privatization alone is not sufficient for the improvement of the company as well as the economy. The privatized companies need dominant, experienced share holders to help the management and at the same time well managerial environment should be ensured and Foreign Direct Investment should be attracted.
Marko (1993) advocated the strategies followed by Hungary, Poland, the Czech and Slovak Federation and Germany. Poland has followed public offering of shares, while Germany and Hungary, as well as the Czech and Slovak have experience in selling large companies to strategic investors. Privatization programmes should be amended and managed on the basis of domestic and foreign experience.

Yo-ichi (1993) highlighted on Privatization of the three State Owned Enterprises for example the Japan National Railway, The Nippon Telegraph and Telephone and Japan Bureau for Tobacco and Salt. The Privatization Programme of these three enterprises have succeeded through full cooperation between management and labour. Various problems have been overcome through privatization.

Boycko and others (1993) focussed on Russian privatization, its success and failure and at the same time, made suggestions that what should be done for better success of privatization programme. They argued that depoliticization of the firms is must for success of the programme.

Shirley and Nellis (1993) have made endeavour to explain the experiences of public enterprises reform in Africa, Asia and Latin America. They suggested that the government should move pragmatically and without haste. It should build public commitment to the reform effort through education and by balancing losses and long-term changes with actions that produce quick pay offs.

Qamar (1994) in his research paper entitled "Current Privatization Policy and Prospective View of Privatization in Pakistan," gives a brief review of the process of privatization in Pakistan. The paper introduces salient features of the current privatization policy of the government of Pakistan and examines the future prospect of the vital ingredient 'agenda for change', introduced by the present regime.

Narayan Swamy (1994) attempts to outline some of the dramatic changes that have taken place in the Central Europe during the past five years with a view towards examining its implications for governments and business among both the countries of Central Europe on the one hand and South Asia region on the other.

Pande (1994) discusses the main changes required at the macro policy level and at the micro-company level in order to enable the existing public enterprises in India to adjust to new economic realities and operate efficiently in the changed domestic and international business environment of the nineties.

Prahlad Basu (1994) opines that the primary objectives of privatization in India is to reduce the fiscal deficit of the government for successful privatization, the author suggested to follow some steps as there should be divestiture and non-divestiture options. There should be a sound capital market and there should be an
institutional framework who can prepare a medium term strategy to utilize public enterprise specifies divestiture and non-divestiture options- which can fulfil the criteria of both efficiency and welfare.

Gupta's (1995) study has also highlighted on some problems regarding privatization of public enterprises in India. In his study he lays emphasis on the labour problems as there is no social security in India. He advocates that the National Renewal Fund (NRF) should be strengthened for adjustment of the workers problems.

(c) Literature Review of Privatization in Bangladesh:

Sobhan and Ahsan (1984) has analysed the process of disinvestment of the formerly corporation managed units in Bangladesh and has reviewed the performance of the units which were transferred to private ownership from 1976 onwards. The study has noted no significant result from disinvested enterprises.

Humphrey (1988) in his book entitled 'Privatization in Bangladesh" explains the historical background of State Owned Enterprises as well as privatization programme and at the same time causes of failure of SOEs and different faults of privatization programme. He mentions, that there has been an enormous gap between policy statements and implementation of policy. The private sector was hindered by bureaucratic red tape and an adverse regulatory environment. He further opines that the success or failure of privatized firms depends not only on the managerial and marketing skills of the entrepreneur but also on external forces and factors beyond the control of the enterprise. He has also made some vittal recommendations for successful privatization programme in Bangladesh.

Miyan (1989) in his research paper "Rebalancing of Private and Public Sector in Bangladesh," has traced the transition of the economic perspectives, the process involved and controversies aroused in effecting changes in the context of rebalancing between public and private sectors in Bangladesh. But he has not mentioned about the ultimate results of rebalancing policies adopted by the government from mid 1970s. In this regard, he has suggested for a primary level of investigation on different aspects of rebalancing policies which would be helpful to have a total understanding of the policies in a changing socio-economic environment.

Siddiqi (1990) in his article entitled "Privatization and Policy towards Improvement of Public Enterprises Performance", has described the historical perspective of privatization and has also examined the effectiveness of policies of privatization in conjunction with policies towards improving the performances of public manufacturing enterprises. The author has thus concluded that privatization programme has achieved its goals partially and needed modification. He has also made some recommendations to make policies more effective and pragmatic.
Sobhan (1990)\textsuperscript{63} has reviewed the role of state policy in the development of the private sector in Bangladesh examining those various policy initiatives impacting on the private sectors. The author found that Bangladesh has an active entrepreneurial class who is able to face any challenge. But policy makers should consider all the current circumstances.

Haque and Mohiuddin (1991)\textsuperscript{66} have made an analytical study on the productivity of some public and private sector steel mills in Chittagong. The study reveals that the productivity management from the view points of production, organization, production planning and control and production performance has been more efficient in the private sector as compared to the public sector mills because public sector mills have been suffering from some problems.

Chowdhury (1992)\textsuperscript{67} has examined critically the transfer of state assets to the private sector that has been taking place in Bangladesh since the mid 1970s. He has presented a historical background of nationalization and a poor outcome of state ownership in general. He has further highlighted historical and political perspective of privatization initiated in mid 70s. The author has also critically evaluated most of the policy changes and their immediate effect on national economy and finally has appraised the privatization of SOEs as a significant step towards establishment of a competitive market economy.

Saroj (1992)\textsuperscript{68} has analysed the performance of some privatized cotton mills and has observed that total average production of these mills has decreased in comparison to pre-disinvestment period, though average sales performance and profit performance have shown a tiny ray of progress. The author has suggested that the socio-economic realities of the country should be taken into proper consideration before formulation of any policy relating to privatization.

Mohiuddin (1992)\textsuperscript{69} has stated that disappointed performance of SOEs has compelled the government to adopt privatization policy with expectation that privatized enterprises would improve efficiency, but the performance of these privatized enterprises was poor and sluggish.

Muinuddin (1992)\textsuperscript{70} has identified the causes of sluggish performance of jute manufacturing industries and has suggested the ways and means to remove those causes. At the same time, he has evaluated some aspects of the operational performances of the jute industry on a comparative basis of the public and private sector jute mills and has found that the overall performance of private sector jute mills were better than the public sector because of better utilization of men, machines, materials and money.

Raza (1993)\textsuperscript{71} favoured the phased privatization. He also pointed out the various impediments to Private Sector led growth in Bangladesh like, technical issues, direct resistance to such programmes, gap between policies and their implementation, bureaucratic red-tapism, lack of proper financial discipline etc.
Khaleda Khanam (1993) critically studied disinvestment of shares and its impact on management of a company named Kohinoor Chemical Company Limited and found that disinvestment of shares brought about a change in the financial structure, system of management, power distribution and control. The workers resisted the change, labour-management relationship has deteriorated. The authoress suggested that the policy makers must find out ways and means to deal with the resistance.

Ramachandran (1994) briefly described the rationale of privatization in Bangladesh highlighting the macroeconomic aspects. He explained about the bad effect to the economy due to incurring heavy losses of SOEs. The author also mentioned about the weakness of the regulatory environment and suggested to modify it for successful privatization.

Abu Taher (1994) highlighted briefly the historical background of privatization in Bangladesh as well as its impact on industrial relations. He pointed out that the privatization policy pushed the workers in an unfavourable situation to confront retrenchment. So, they opposed privatization. The author suggested that the labour would not oppose privatization if their interests were protected and they should have the rights of collective bargaining which would ensure a congenial labour-management relations.

Shamsul Haque (1994) has reviewed the labour issues in privatization in Bangladesh. He has explained the characteristics of labour, causes of industrial disputes and its settlement, growth of trade union etc. He has also suggested for removing the labour problems arising out of privatization taking various programmes like VDS, training and retraining, credit based employment schemes etc.

(d) Analysis Of The Major Empirical Findings Of The Review Of Literature:

From the foregoing review of available literature, it may be observed that the effectiveness of privatization depends on various factors under various situations. Some of these factors are briefly analysed as under:

1. Privatization Leads To Better Efficiency and Productivity:

It starts from an ideology that private ownership works better than government ownership. It was Adam Smith who put forward his argument that "no two characters seem more inconsistent than those of trader and sovereign". People are more prodigal with the wealth of others than with their own. Public administration is negligent and wasteful because public employees do not have a direct interest in the commercial outcome of their actions. In State Owned Enterprises (SOEs), neither management nor employees or trade unions belong to the enterprise hence they have no responsibility about the performance of the enterprise and they are very much reluctant about their duties.
In private enterprises, the condition is just reverse. Its management and employees own the shares of the enterprise, they all become very careful about the performance of the enterprise. Because if the enterprise runs with profit, they will be gainer so that they try their level best to increase efficiency and productivity. Further more, without increasing efficiency and productivity they can not exist in the competitive market.

The main motive of the private enterprise is to maximise profits, so the cost is minimised that is not practiced in the SOEs. Because public enterprise decision makers lack incentives to control cost. One of the important reasons for this is the fact that 'it is hard to distinguish good from bad managerial performance, since there were both legitimate and illegitimate reasons for saving money'.

2. Total Success Depends On Socio-Economic Factors:

Experience from different countries evidenced that privatization was intensely political. Political implication is a must to succeed any programme of privatization. The U.K. privatization has succeeded because they had strong political willingness. 'Salinas de Gortari in Mexico and Menem in Argentina have sought to reverse gears of government intervention in their respective economies and the basic ideology of their own political parties by making privatization a cornerstone of their own economic reform programmes.'

Labour relation is also an important factor relating to success of privatization programme. Labour must accept and adapt with the change of the enterprise. For this, labour's interests must be protected. "In all privatization schemes, labour relations problems are likely to arise, stemming from workers' fears of job and income losses and a decrease in trade union influence." They will never oppose privatization if their interests are protected.

3. Each Model Of Privatization Is Suitable For Different Types of Situations:

There are some models of privatization, such as:

i. Government majority Enterprise (GME, 51% plus)
ii. Government controlled Enterprise (GCE, 26-49%)
iii. Joint sector enterprise (JSE, 26%+ 25% + 49%) and
iv. Private enterprise.

The successful application of these models depend on different environment and different situation of social, economic, cultural, nature of production etc.
4. Competitive Situation and Market Discipline are Crucial for the Success of Privatization:

There should be a competitive environment for successful privatization where public and private enterprises co-exist. Customers will lose their benefits if competition does not prevail in the market. At the same time, market discipline is not possible under public enterprise, because private enterprises are enlisted to the stock market so that they must obey some rules and regulations. In order to attain market discipline and more competition, the legal aspect of marketing should be considered.

5. Cost-benefit Framework Can Be Used to Assess The Need For Privatization and Also Measure The Post Privatization Effects:

The policy makers should analyse the costs of privatization and potential benefits from it. By analysing costs-benefits theory one can ascertain whether SOEs should be sold or not; or to whom it should be sold and at what price it should be sold.

By using this analysis, post privatization performance can also be measured and can be assured whether privatization is really beneficial to the society or not.

From the foregoing discussion, it has been deduced that not much academic work has been done on privatization particularly pertaining to Bangladesh. The present study has been undertaken to assess the impact of privatization on different facets of the economy in Bangladesh. The study focusses and highlights the emerging issues of ongoing privatization programmes and policies in the wake of Industrial policies of 1982, 1986, and 1991. Based on these issues, the endeavour has also been made by the Researcher to evolve strategies for effective privatization of State-Owned Enterprises (SOEs) in future.

2.3 Need For The Study:

The changing socio-economic milieu of the whole world has permeated to Bangladesh for economic reforms through privatization. The successive governments of Bangladesh introduced different policy packages on privatization and accordingly many enterprises have been privatized. However, the methods and techniques adopted for privatizing these SOEs have suffered from serious lacuna. Therefore the privatization programmes have not gathered the required momentum as in many other developing countries, like Malaysia, Argentina, Chile etc. This topic hence deserves special importance to find out the practical problems of the privatization programmes in Bangladesh, arising out in the context of industrialization efforts. The findings and recommendations of the study will help the policy makers of Bangladesh to chalk out the proper policies regarding future privatization in Bangladesh. It would also be helpful for the management of the privatized enterprises to overcome their existing difficulties in running their industries effectively.

61
2.4 Scope Of The Study:

Privatization of State Owned Enterprises (SOEs) is a crucial question nowadays. Ideological argument continues between those who think privatization is good and those who think it is not good for the economy. There is no conclusive data to settle the issue, but privatization is a reality whether it is good or bad and this is the starting point of our study. Since Bangladesh has adopted a vigorous privatization programme, so, it is a good laboratory to do research about the successfulness of privatization in Bangladesh.

In Bangladesh, Privatization Programme has been implemented following the methods such as, return of earlier nationalised units to the original owners, sale of SOEs through open tender, sale of shares in the capital markets, retaining limited portion as reserve for the employees etc. In the present study, effectiveness of all these methods followed in Bangladesh has been critically considered. Highlighting on the overall privatization programme adopted in Bangladesh, vital issues regarding implementation of the programme have also been identified and accordingly strategies evolved for effective and better implementation of the programme in future. Since the study focusses on overall privatization programme, any specific area or sector has not been undertaken for the present study.

2.5 Objectives Of The Study:

The objective of the present study is to assess the available documents within the relevant policy frame and identify major issues that need to be taken into consideration in the design and implementation of privatization process in Bangladesh. The study is concerned with the problems and prospects of privatization in Bangladesh. Specific objectives of the study are as follows:

1. To understand and analyse the concept of privatization.
2. To make analysis of the pros and cons of privatization implemented in different countries of the world.
3. To present historical background of nationalization and privatization in Bangladesh.
4. To present and analyse policies regarding privatization adopted from time to time in Bangladesh.
5. To pinpoint the problems associated with the implementation process of the privatization policies.
6. To assess the practical implication of the privatization policies adopted by the government of Bangladesh.
7. To assess the performance of denationalised industries with comparison to SOEs.
8. To determine the width of success of privatization in Bangladesh.
9. To evolve suitable strategies to cope up with issues in privatization process.
10. To focus on future prospects of privatization in Bangladesh.
11. And finally to draw conclusions on the basis of the findings that may help the policy makers, and government agencies.

2.6 Hypotheses Of The Study:

On the basis of the conceptual framework and inferences drawn from the previous empirical findings the following hypotheses have been tested:

1. That private enterprises perform more efficiently than public enterprises.
2. That the State Owned Enterprises (SOEs) have considerably improved their performance after they were privatized.
3. That appropriate strategies are needed to be evolved for further privatizing SOEs in Bangladesh to obviate the obstacles and stumbling blocks confronted during the privatization process.

2.7 Research Methodology:

a) Study Approach:

The present study is based mainly on secondary data gathered from published and unpublished materials. However, primary data have also been gathered in the form of informal interview with the concern individuals and organisation in Bangladesh.

The research approach of this study entails a thoughtful analysis of previous researches and writings on privatization alongwith the analysis of collected historical data. It is to be accentuated that the nature of study is exploratory and descriptive in nature and then suggestive.

b) Data Collection:

The data and relevant statistical informations have been collected from different sources. They are enumerated as follows:

1. The privatization Board, Dhaka.
2. BTMC, BTMA, BJMC, BJMA, Dhaka.
3. The Dhaka Chamber of Commerce and Industry, Dhaka.
5. The Board of Investment, Dhaka.
The Bangladesh Institute of Development Studies (BIDS), Dhaka.
8. The Ministry of Finance, Dhaka.
11. MIDAS, Dhaka.
12. The Investment Corporation of Bangladesh, Dhaka.

The articles published in various journals, periodicals and dailies in Bangladesh, India and Abroad have also been found to be of great utility.

c) **Data Analysis And Interpretation:**

The study procedures and analysis entails the following steps:

1. **Preparation Of Research Framework Involving:**
   a) Moving of a list of variables, subvariables and indicators relating to privatization based on conceptual framework.
   b) Reflective arrangement of research objective.
   c) Introspective preparation of the contents of the proposed thesis (chapter outline).

2. **Review of Literature Materials In Such a Way That:**
   a) Contextual classification of available literature/materials.
   b) Analysis of all available literature/materials in accordance with the variables, subvariables and indicators identified the research framework.
   c) Necessary statistical analysis of relevant secondary data and official data.
   d) Synthesis of all relevant informations found and generated in the previous steps.

2.8 **Limitations Of The Study:**

The study can, at best, be considered evocative, explanatory and explorative. However, the data used for this study are subject to the following limitations:

1. Data were not available in a common format.
2. Official data are difficult to obtain, because officials are not often forthcoming with important information.
3. More sophisticated statistical techniques could not be used due to non availability of relevant data in the desired format.

The above explained problems have no doubt impinged on the scope of the present study but then the inferences drawn and results obtained have in no way been otherwise affected. The interpretation and analysis of the available statistics are valid and have produced prolific result to evolve strategies for effective future privatization in Bangladesh.

2.9 Conclusion:

To recapitulate, this chapter has highlighted the problems, the need, the scope, the objectives and hypothesis of the study. It substantiates the Research Scholar's view that privatization in Bangladesh is confronted with issues unique to its socio-economic make up which calls for proper strategies.

References:


44. Vukmir Branko, "Privatization in Croatia", Public enterprise, op.cit, p. 163.


62. Humphrey Clare E. "Privatization in Bangladesh" A Study Submitted to the Centre for Privatization for forwarding to the U.S. Agency of International


74. Taher, M.Abu, "Privatization in Bangladesh and its Impact on Industrial


77. Ibid.

78. Ibid.

79. Ibid.

80. Ibid.


82. Athreya, M.B., "Alternative Models for Privatization or People - Isation", in Mohnot, S.R. (ed) op. cit., p. 16.