Emergent Thinking on Privatization:
A Review Analysis

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Abstract
In the post-Washington Consensus period since early 1980s, privatization has taken the centre stage to remodel the traditional economies of the developed as well as developing countries but simultaneously this has posed different contextual challenges to emerging nations in their pursuit of economic growth and social development. Privatization is desirable for a number of obvious reasons. The objectives of privatization varying from growth enhancement to capital accumulation, from integrating the public sector to global production and investment network that in turn boost productivity and economic growth. The prime objectives are a dire need to reduce government debt by the sale of state-owned industrial and commercial units, to improve their profitability and performance, and to make the role of government that of a facilitator. Despite some problems and consequences, these objectives are a prime force to adopt it as a major macroeconomic level policy in the developed and developing world.

Keyword: Privatization; Budget deficit; SOEs

I. Introduction
The most recent two decades have witnessed an extensive shift in global state owned enterprises (SOEs)\(^1\) and the private ownership in business adopting open market doctrine. The structural restructuring process involves a variety of measures, including privatization and deregulation of SOEs, which are supposed to bring about more growth and development. The extraordinary growth of privatization has changed, probably

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\(^1\)All the way through in the thesis, whenever we use the word state owned enterprises (SOEs) it means the same meaning which is given by World Bank's definition of state-owned enterprises, as mentioned in World Bank Report (1995): "government owned or government-controlled economic entities that generate the bulk of their revenues from selling goods and services."
irreversibly, the underlying traditional economic relationships to study the global economy. Nevertheless, the new arrangement has not effectively tackled the consumer benefits; rather they have become more vulnerable to monopolistic forces of cartels established in the stir of privatization. Privatization policies are currently in steps forward the world over, in Europe, North America, Japan, and many developing and newly industrialized countries.

**a. Privatization: Views & Reviews**

Privatization is not simply an economic concept; rather it is more comprehensive in terms of socio-economic and political philosophy. During the 1970s, Conservative party in UK used privatization as a slogan.

Privatization is the “*deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents,*” (Megginson & Netter, 2001). What privatization does infect it transfers the possession, ownership and control of public sector assets to the private sectors or investors, (Qian Sun, Tong, & Tong, 2002). In this fast-changing economic landscape, virtually every country has sought privatization to facilitate economic progress. This is evident as; privatization stands for taking government out from business rather individual involvement, but of assets, functions, indeed, entire institutions, (Starr, 1988).

A large amount of the early momentum to privatization implied a dive in faith and it explains its effect have followed on the verge of subsisting practices. Even though ideological thoughts exemplified by such statements as, “governments have no businesses to be in business” -have often been dominant to augment the dynamics privatization in various parts of the world, it is also true that governments have sought to justify privatization in relation to certain objectives (Mohan, 2007).

In general, government includes the following reasons:

- To increase revenues for the government to meet fiscal deficits.
- To decrease state interference and encouraging private enterprises.
- To encourage the broader share of ownership this leads towards growth of capital market.

Of these, the most dominant, and leading objective is the first one. Government ownership by some means leads to decrease efficiency as compared to private ownership. The inefficient SOEs, in turn, are seen as creating other problems such as the use of public funds through subsidies and non-competitive industries in the economy.

Successive literature, portrayal on agency theory explains better private ownership. Firstly, the officials in government sector not have incentives to achieve targets as monitoring mechanism is diluted. Weak and fragile monitoring mechanism arises from the fact that ownership is diffused. In addition, the firms are not publicly traded and should not be opened the danger of takeover. Secondly, public officials do not have incentives to perform so they do not care about bankruptcy. Managers in the SOEs can look forward to be compensated through the government funds. Agency theory explains that public officials pursue a number of different conflicting objectives rather focusing on profit seeking behavior (Shleifer & Vishny, 1997). SOEs has variety of objectives. That
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is the reason public officials are accountable to different regulatory components such as legislators, civil servants and government also to militate against profit maximization.

b. Objectives of the Study

The objective of the paper is to explore that how over the last twenty years (1990-2010) arguments for and against privatization have been logically and empirically forwarded by the researchers and scholars for understanding the process of privatization for its benefits as perceived by them and adopted by policy makers in developed as well as developing countries.

c. The Determinants of Privatization

Different researches have conducted to analyze the important magnitude of privatization including patterns and trends in policies and implications.

According to Bortolotti, Fantini & Siniscalco, (2000) and Rammamurti (1992) the major determinants which leads towards privatization are defined in five categories and the probable quantity and quality of privatizations also dependent on these groups. In general, first is the political environment of any country because government has different objectives and want to increase sales but with less profit. Secondly, inflexible budget limitations: although the different countries have diverse priorities but generally budget constrains prompt the privatization so that the money can be utilized for the payments of loan (internal and external) and government can also save money from the subsidies which it has to inject in the SOEs. Third major determinant is the legal protection of the all stake holders because it is also observed that wider ownership protects the rights of stake holders more. Fourth is the stock market liquidity normally government ownership limits the liquidity of the shares but private ownership wider the stock market liquidity. The last is generally explains the plus point of privatization as well is control and management. It has been proved from many empirical studies that private ownership performs better and proves good management as compared to SOEs. The first and second plays a more crucial role in the decisions, for instance what to privatize and how to privatize and under which method it should be privatized?

The last three are mainly decide the total revenue to be collected and the volume of privatization in the country. Further, the more energetic privatization program sometime positively correlated with the short-run price and production instability.

II. Upside of Privatization

Out of economic issues of the twenty-first century, privatization is a major issue. We cannot say that the privatization is the only solution of the problems. Privatization has much betterment but on the other hand, it may cause some crude results. The economic thinkers are divided into two groups; one supports the privatization and the other negates it. One can say that present regime is of the privatization and loudly speaking supporters are in majority, therefore, it is prevailing. Here we are mentioning some authorities summarily which described the plus points of the privatization.

People who are in favour of privatization give lots of arguments like the high operational cost of government run industries cost due to its bureaucracy when government operates an industry the choices for the consumers are very few as compared
to a private sector in a competitive market which gives the large range of products to a lower prices. It is also suggested that the role of the government must be as a regulator but governments must not directly control the firms of goods and services because it indirectly gives them control over people.2

We agree with the thought of Megginson, and Netter, (2001) that welfare achieves its maximum efficiency level in competitive markets therefore; we can say that privatization endorses competition in the markets and more significantly can increase the efficiency level. As anticipated, it can be better explained that the usefulness and efficiency of privatization programs and markets themselves are concurrently determined. Particularly in transition economies the growth and effectiveness of privatization depends on the forces of the markets in that economies, and vice versa.

As (Shleifer, 1998) concluded the existing empirical work that "a good government that needs to add 'social goals' would hardly ever own producers to assemble its objectives".

Starr (1988) argues that governments may also hurry to privatize to push their political agenda, which besides others, may create a class of rent seekers who benefit from this hurried approach. Selling to employees and managers is one example where it may lead to some enrichment of current employees who later on sell their share in open market at much higher prices to make a quick buck and in the process throwing to winds the avowed objectives of governments of employee empowerment and growing a new entrepreneurial class singing the hymns of capitalism. Privatization programs that allow for management change and are open to foreign purchasers can improve and boosting a firm's performance. Outside of the German context, research becomes an argument for direct foreign investment or joint ventures with established western firms. Normally users have gained immensely from lesser prices, approach to the high quality product and services. Wider access to higher quality services, greater competition, and variety of products due to privatization. Those countries that have privatized their utilities like electricity, gas, and water, their performance, pricing and quality of services have enhanced. There is evidence of gender-specific impacts from privatization, for example, particularly in transition economies. According to the Megginson (2000) in the very beginning the privatization program of Eastern Europe. One study shows the women turn off an unequal share of the layoffs that affect a lot and moreover they also bear the disadvantage of the public sector services for the benefits of women like child care, housing, health benefits which is lacking in private sector due to their profit maximization objective as compared to public sectors welfare orientations.

This is the fact that most of the earlier studies mainly discuss the social impact of privatization as Kikeri, (1997) limit his study on the impact of privatization on employment characteristic merely. Readily available different studies and literature are having harmony amongst that privatization has connotations for the employees and their working environment. On the other hand, there is a variety of belief and views on the character and degree of the impact of privatization. Cook & Kirkpatrick (1998) also mention the effects privatization on employment. They further argued and that will

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2For further detail visit<http://www.wisegeek.com/what_is_privatization.htm>
communicate the relative significance of public enterprise sector in the national economy in addition to its share in proper employment.

Gupta, Schiller, & Ma (1999); Boubakri & Cosset, (1998); Megginson, Nash, & Randenborgh (1994); and Kikeri (1997) along with others, explain another dimension that privatization can still boost employment but subject to the condition of as a whole growth economy then privatized firms will be stimulated to invest more to expand their businesses which inject the new employment along with the investment. Similarly most of the studies conducted under World Bank and its bracket together are also with the opinion of optimistic correlation among privatization and economic growth. Galal, Jones, Tandon, & Vogelsang (1994); Cook & Kirkpatrick (1998) quote many other motives to strengthen these observations. Their major ideology behind it is that the private ownership most of the time go on merit and did not put up with selection favouritism. Barberis, Boycko, Shleifer & Tsukanova, (1996) survey 452 Russian shops and say that before privatization the traditional Soviet shops were famous for their inefficiency. They stocked very few and very low quality goods, used much more space than they needed, provided horrible service, closed early and hardly ever upgraded their appearance. For this reason, the Russian shops present a good laboratory for testing theories of how privatization works. Because after privatization his analysis showed that privatization endorses reformations. Restructuring is calculated as major renewal, which includes a change in suppliers, a rise working hours, and discharge of workers. It is foremost evident that normally the new private owners and management most probably increase restructuring. Quite the reverse; it is not guaranteed that the old management raised restructuring. With this comparison of old and new management we can concluded that the new ownership and human capital become a source of economic transformation.

But in Bangla Desh, the major reasons for privatization are development of the governments' fiscal condition which becomes the source of reduction in fiscal deficit, enhancement in enterprise efficiency after privatization; similarly it also mobilize the greater domestic as well as foreign investments for elevated expansion in the medium-term (Ahmed, 1999).

According to the Lieberman & Fergusson, (1998) if we design a cautiously structured program in order to privatize state owned enterprises and major entities, united through endeavours to found a appropriate regulatory and legislative structure, it will certainly increase the stock market and provide a most attractive platform for the local as well foreign investors for the state. So the increase in performance of accounting, economic, political and social grounds we can defensible the act of transferring of SOEs in the private sector but subject to the condition of the change in management as well.

III. Downside of Privatization

At the empirical level there is now substantial evidence that the presumed efficiency and growth benefits of privatization have not been forthcoming, and that in general, privatization, more often than not, has tended to result in increasing unemployment and inequitable access to key assets and social services.

Relating to the function of the state, various studies regarding the roles undertaken by government in many nations, particularly in East Asia, have shown that government involvement in the economy has yielded major long-term social and economic benefits in these countries.
Mark Thoma, (2005) argued that privatization has, actually, been the standard, not the exclusion, sometimes in a country it become obvious due to failure of private sector or market conditions the government feel the need to interfere and take the control of the firms.

Goyal, (1999) articulates his study in India, and concluded that it is perceived that downsizing of labour is repeatedly measured as a prerequisite to privatization of state firms but the positive side of this scenario should also be considered which happened when due to privatization the contractual workers are shifted on permanent and well paid jobs and the redundant and unorganized labour is fired out.

Typical point of view given by people in opposition to privatization is that the private owners mainly concerned with the profit maximization they may intend to charge high prices and want to earn more profit in a monopoly or monopolistic competition markets unless the government regulate them and persuade them to charge moderate of low price. Although the high competition may indulge them to adopt unfavourable and hostile practices in order to be successful in the market.

Another aspect of privatization is to confine the people to get their access in some of the industries which they can’t afford. A further issue was also raised that when government transfer its ownership to private sector against money then obviously it loses its control in the management and it may happen that due to the differentiation in the priorities and directions of their decisions, the public sector may be affected negatively.

But besides all these are not those kind of issues which can’t be controlled at its maximum possible level. La Porta, Lopez-de-Silanes, & Shleifer, (1999) highlighted argument against privatization which cannot be ignored is that the burden of restructuring fall on the shoulders of workers who has to bear it through layoffs and wage cuts.

According to Khan (2003), despite the fact that the community welfare impact of privatization has large implications, but decrease in employment is most important issue for discussion when we study the consequences of privatization in other studies they limit themselves to the employment level only but it is not the only effect of privatization although obviously very important but it is also a bitter reality that all these issues like decrease in wages and deterioration working situation are not that sensitive as compared to the loss of employment which ultimately become another major source of increase in poverty for the economies.

There was also a turn down in the safety and consistency of infrastructure services and their quality. Large number of workers documented that after privatization the stress, working efforts, speed of work and timing of work has been increased and only ten percent people responded against it.

Boycko, Shleifer, & Vishny, (1996) offer a different explanation, they believe that firms which are in public sectors are used and mismanaged by the politicians to achieve their government target in contrast to companies objectives and gave evidence that they

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1For further details see <http://economistsview.typepad.com/economistsview/2005/05/_the_troubled_h.html>
give economic benefits to the people who support them with so many ways such as more employment, distribution of investments, and giving government demand orders to their favourite suppliers.

Most of the times it is argued⁴ that why to privatize growing and profit making healthy organizations when they are already working very well because all the benefits which are claimed after privatization can be achieved in profit making enterprises. They are of the view that if we motivate the workers and hire an improved and added specialized management, it will also give us similar results as we can achieve through privatization.

The prime cause of failure of the public sector which forces the government to privatize these enterprises is that the government must not involve itself in running the business which is not its expertise; rather its main role it to regulate the business in the form of unbiased mediator. In this role, the government should form the major rules for business sector, monitor them in their operations and competition, punish the guilty people when proved and solve the issues among competing business firms.

So when the government become the part of the market, then the other business community and market players lose their trust on the government. Due to this situation, the market is converted into disorganized, uncontrollable and disruptive because no impartial ‘person’ is there who can monitor and enforce the rules. But it creates an adverse effect on the market system in different functions like the output, sale and distribution channels for goods and services. This can be exemplifying with the disagreement among the PIA and private airlines. Here government support its own enterprise can’t be neutral with the competitors of own firm which resulted the exit of their competitor from the market and they wind up their business. The impacts of these types of situation are paid in the form of reduction in growth and non existence of competitions in the market.

La Porta & Lopez- de-Silanes (1999 concluded that the success of privatization and the growth of private sector companies appears at the cost of society, their study emphasis on the major issues of social cost.

Few researches discuss the social cost and argue that state enterprises are a key player to serve as a remedial measure through the adoption of pricing policies which could be more suitable and consider the social marginal cost. Quite the opposite of that, further contemporary economic narrative and studies believe that the benefits of privatization are much more as compared to its cost.

Mostly, the outcome of privatization strengthen their fear like reduction in redundant workers and cutting down some major social benefits-like housing, health and nursery care, and recreation, sports and vacation facilities which were provided by SOEs. Although it is not always true. The privatization of a part of WAPDA in the form of KEPCO gave much more facilities to their worker then they ever have in their previous status of SOEs. As in case of Pak Arab fertilizers in Pakistan the company lay off unskilled labour and gave maximum benefits to the remaining skilled workers.

⁴For more detail visit <http:/science.jrank.org/pages/Privatization-Critics-Privatization.html>
Joshi (1999) was of the view that regulatory reforms are the prerequisite for privatization that it could not be started unless we have sufficient reforms and regulatory framework for the dealings of private and public sectors. But these reforms can only be fruitful in case the government stop its interference in management after privatization but it does not mean that the regulatory job should be stopped. The best example for these types of situation can be given in the relationship among India and Telecommunication Regulatory Authority of India (TRAI), in which the government was unwilling to give authority to TRAI. Systems of regulatory reforms is lacking especially within developing countries like India, Pakistan, etc. So it is necessary that all these reforms must be crystal clear, accountable, and absolute. What will be the last fate of privatization? We should wait for its final results.

IV. Conditions of Success

Privatization is not the only reason of expansion in the private sector, it has grown immensely due to the start of many new and different kinds of businesses and this happened with the help of local and foreign entrepreneurs. Most of the new-innovative entrepreneurs and small firms comprise of those businesses which are poorly recognized and documented. Majority of the countries don’t have any proper statistical data which can explain the detail and segregate the reasons of expansion that whether this improvement in private sector is due to the commencement of new businesses, expansion of old businesses or privatization.

According to the research on transitional economies of Central Europe, those firms who are privatized to the outsiders show outer performance as compared to insiders. We can say that the same experiences can be implemented to the other countries as well but it is foremost sure that post privatization performance is different due to the different nature and kind of owners and this observation might affect differently to the privatized units and analyzing it in generalized terms.

It is also experiential that effectiveness of privatization can be observed through the change in companies’ revenues and costs behaviour after privatization. When a firm is in a private property, it is to be considered more important for the owner then before. Boutchkova & Megginson (2000) discuss the rise of global capital markets due to privatization.

The smooth performance of private firms and markets presumes the existence of a variety of institutions, including laws (company, contract, bankruptcy, antitrust laws, and so on), specialized professions (auditors, accountants, financial analysts, management specialists, financial press, and so forth), and governmental agencies (capital market regulators, industry-specific regulators, independent courts, and so on). And it is not wrong to claim that such bodies are far better developed in industrialized countries.

Ramamurti, (1992) clarifies the reasons for some countries that have been further successful than others at implementing privatization. They quote that "success" is defined as completing the privatization transaction, not as improving the performance of firms after privatization. The nucleus of this consists of case studies of the privatization of telecommunication sectors in Argentina, Brazil, Chile, and Uruguay. (Molano, 1998) expounding variables embrace of micro factors, such as the performance of the state enterprise at the time of privatization; and macro factors, such as the country's inflation,
debt, growth rate, and fiscal situation. These features are expected to establish the potential gains from privatization, the assumption being that the worse these indicators are, the more likely a country is to privatize. The cases showed that the function of macroeconomic factors proved a more significant part and were establish to be more important than microeconomic factor in determining privatization outcomes. Indeed, the case materials showed that fiscal deficits played an important role in motivating the countries to consider privatization policies. Study materials showed that the power of the national executive, as measured by the percentage of the legislative body that held a similar political affiliation, indicated the government's ability to implement privatization policies.

Recently published economic literature has taken more flattering view of privatization then that of SOEs. All these studies mention the agency conflicts which are considered as the basis of the inefficiency of SOEs. Two strong dimensions of the literature are available to solve the puzzle that whether agency conflict is with the manager or with the politician. One which is leaded by Vickers, & Wright, (1988) presented a managerial view argues that the managers of SOEs can’t observe their workers and staff more efficiently and as well as they are not highly motivated towards the success due to lack of incentives. On the other hand, some researchers are of the view that the cost of political interference of the government is too high and resulted impact of government involvement are redundant employment, inadequate selection of product and location, insufficient investments, and indefinable rewards for managers.

Many studies developed a representation that the relative incompetence of state-owned enterprises and their improved progress after privatization is due to change in control and management.

### Exploratory Studies

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<th>Author Name</th>
<th>Country, Sample of Study and Methodology</th>
<th>Summary of Findings and Results</th>
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<tr>
<td>Gupta, Schiller, &amp; Ma (1999)</td>
<td>IMF, Pakistan, 7 edible oil, 8 cement sectors, Time series, SAP, regression analysis. They concluded that Public sales and auctions create adverse impact on employment level of workers but on the other side it makes the most of the government's revenue gains.</td>
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<tr>
<td>Khan (2003)</td>
<td>Pakistan, 7 edible oil, 8 cement sectors, Time series, SAP, regression analysis. Relationship between privatization, efficiency and equity from both theoretical and empirical. SAP has negative and statistically significant impact on workers employment and output.</td>
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<td>Kikeri, (1997)</td>
<td>Argentina, Bangladesh, Chile, Ghana, Malaysia, Mexico, Sri Lanka, and Turkey sample of firms from 40 developing countries. Used the secondary data. They concluded that a planned and goal oriented privatization program can be advantageous, but on the other hand large targeted programs offered to all workers, did not show good results.</td>
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<td>Manandhar &amp; Bajracharya 1999</td>
<td>Nepal, Public and private enterprises of Nepal since 1950, Analysis based on yearly GDP of Nepal. The major lessons from privatization is that necessary steps should be taken to deal with redundant work force, determination of skills, determining the actual financial liability of the government, possibility of internal transfers, training and retraining needs and finding out ways to deal with union aggression and their revelry.</td>
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Mohan, (2007) India, Case study of Indian’s experiences of privatization and its lessons. Privatization was mainly adopted to solve the issues like overstaffing and political interference in public sectors. Major objective is resource mobilization by the government through transfer of public sector. Second is to honor the assurances that government would take effective steps to reduce the role of the state in internal management of the economy.

Molano, (1998) Latin America, Privatization of telecommunications in Argentina, Brazil, Chile, and Uruguay. Case study Privatization needs also to be dynamic rather than static. They said that government can control the legislature only and to deal with a prevailing macroeconomic crisis.

Shleifer, (1998) UK, Past literature, Exploratory study He is of the view that private ownership should be preferred due to their motivation towards innovation, modernization and cost reduction. A major criticism on privatization is that private firms fail to address “social goals”. But it can be addressed through government contracting and regulation.

Starr (1988) US Privatization is not only a policy; it is also a signal about the competence and desirability of public provision. It reinforces the view that government cannot be expected to perform well.

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<td>Barberis, Boycko, Shleifer &amp; Tsukanova, (1996)</td>
<td>Russia, Survey of 452 Russian shops between 1992 and 1993, Regression analysis and Ordinary Least Squares (OLS) estimation is used.</td>
<td>Results indicate that restructuring requires new people, who have new skills more suitable to a market economy.</td>
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<td>Bortolotti &amp; Faccio, (2007)</td>
<td>22 OECD countries, 141 privatized corporations with matching firms are used between 1996 and 2000, Multivariate Regression analysis .</td>
<td>Results indicated that governments typically transfer ownership rights without relinquishing proportional control. Governments retain control of 62.4% of privatized firms</td>
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<td>Bortolotti, Fantini &amp; Siniscalco, (2000)</td>
<td>Italy , 49 countries from period to 1977 to 1996 Regression analysis</td>
<td>The choice of privatization method appear to be influenced by the governing political majority and public sector budget constrained, while the success of privatization on terms of revenue and stakes sold required suitable institution of developed capital market.</td>
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<td>Boubakri, Cosset, &amp; Guedhami, (2005)</td>
<td>170 firms privatized in 26 emerging market countries like Africa, Middle East, South Asia, Pacific, Latin America, Caribbean, Europe and Central Asia during 1980-1997. Multivariate regression analysis.</td>
<td>Governments give up control over time, mainly to the benefit of local institutions and foreign investors’. Private ownership tends to concentrate over time. Positive effects of change ownership are observed.</td>
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<tr>
<td>Authors</td>
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<td>Boutchkova &amp; Megginson (2000)</td>
<td>Organization for Economic Cooperation &amp; Development (OECD), sample of 630 share issue privatizations (SIPs) executed by 59 national governments during the period 1977-1997. Regression is used to check the privatization and stock market liquidity.</td>
<td>Privatizations have significantly increased market liquidity, as measured by the turnover ratio and privatizations have dramatically increased the number of shareholders in many countries.</td>
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<td>Galal, Jones, Tandon, &amp; Vogelsang (1994)</td>
<td>Compares actual post-privatization performance of 12 firms (mostly airlines and regulated utilities) in the UK, Chile, and Malaysia.</td>
<td>Documents net welfare gains in 11 of the 12 cases and find no case where workers were made worse off and 3 where workers were made significantly better off.</td>
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<td>La Porta &amp; Lopez-de-Silanes (1999)</td>
<td>Tests whether performance of 218 Mexican SOEs privatized through June 1992 improves after disinvestment.</td>
<td>Output of privatized firms increased, employment declined by half. Firms achieved a 24% point increase in operating profitability.</td>
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<td>Megginson &amp; Netter, 2001</td>
<td>USA, Cross sectional analysis of 22 studies, Cross sectional analysis through Z-Descriptive.</td>
<td>Evidence suggest that adopting a large scale share issue privatization program is often a major urge to modernized a national’s corporate governance system.</td>
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<tr>
<td>Megginson, Nash &amp; Randenbohrgh (1994)</td>
<td>A study of 61 companies from 18 countries and 32 industries from period 1961 to 1990 privatized through public share offering. Compares 3-year average post-privatization performance ratios to 3-year pre-privatization values.</td>
<td>Results document strong performance improvements, achieved surprisingly without sacrificing employment security. Specifically, after being privatize, firms increase real sales, become more profitable, increase their capital investment spending, improve their operating efficiency, and increase their workforces.</td>
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<tr>
<td>Qian Sun, Tong, &amp; Tong, 2002</td>
<td>China, Listed companies (1994-1997), Panel data method. Empirical analysis.</td>
<td>Investigation shows that there is a relationship between government ownership and firm performance. Too much government holdings of SOE shares leads too much control in the economic operations of SOEs.</td>
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<tr>
<td>Ramamurti (1992)</td>
<td>Developing countries, Developing countries other than high income oil producing nations 83 countries, Univariate and multivariate analysis.</td>
<td>Analysis indicate that privatization was more likely to be perused by countries with high budget deficits, high foreign debt and high dependence on international agencies like the world bank and the IMF.</td>
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</table>
V. Conclusion

Combined with results from previous, similar researches, our findings recommend that privatization capitate significant increase in performance. It is the prediction of the government that the shift of capital and management from public to private sector, will condensed the government investment in business and construct a more competitive environment in the country which will ultimately be an advantage for the economy. And this all happen with the induction of private sector who play a very active role in the economic development of the country.

Most of the times the services like health, education, community services and social welfare are provided by the government in almost all over the world because many politicians are of the view that it is not the job of the government to run all types of industries, government should concentrate only some very crucial and specific nature business like steel and defense production. Privatization compact the function of the government in the availability of marketed goods and services.

The very fundamental and foremost thing for the successful privatization is that the country should be deregulated and the government should eliminate unnecessary restrictions and lengthy documentation procedures form the industrial enterprises. In this way privatization should consequently be part of a process to strengthen private sector through handing over its assets as well as improving and establishing regulatory arrangement and better infrastructure for their operation. For the reason that if the government transfers the ownership to the private sector but to keep it throttled by massive regulations then privatization would not improve the operational efficiency and effectiveness of the organizations.

Simultaneously, in order to improve the political condition of the country and create the positive environment which will be ultimately fruitful for privatization, the government needs more new investment injections, introduction of better management, introduction of new and improving the technology, increase in competitiveness, and thus leaving more funds with the company. All these measures automatically enhance the employment opportunity in the country. In this way it will solve the major drawback of privatization i-e unemployment.

The academic literature highlighted large number of positive aspects of privatization-especially higher profitability and the expected cost to the society as well like social costs, unemployment, lower wages and longer working hours.

All these the above issues become the source of agency conflict and private ownership are more efficient and effective in resolving the agency issues as compared to public.

If we go to the qualitative analysis, it seems to be a good implementation of accountability. We can’t say that it is only due to the shift from political to financial objectives. Privatization emerged an activity only one of its kind. But normally government’s main concern is to boost the financial performance of firms. When we use the accounting measures we see that the financial performance of the firms has direct link with the turnover of the firms in the beginning of privatization.
So we can say that government should focuses on good governance, policy making, guideline, provide supportive environment that provide incentives for the private sector to invest in providing goods and services efficiently and effectively. The prime responsibility of the government is to work for the welfare of the society and country not the business and privatization helps the government to achieve its objectives and support to put business into the right hands while releasing the government to focus on such matters as ensuring law and order and assuring that facilitating the framework which is favorable to investment while being fair to consumers and the taxpayers.

References


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Vickers, J. and Wright, V. (1988), The politics of industrial privatization in Western