IMPACT OF DISINVESTMENT ON LISTING AND NON-LISTING CPSES AT BSE

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ABSTRACT

The main objective of disinvestment policy in India is to promote people’s ownership of Central Public Sector Enterprises to share in their prosperity through disinvestment. The disinvestment process to facilitate unlocking the true value of the Central Public Sector Enterprises for all stakeholders – Investors, Employees, Company and the Government and to list all profitable Central Public Sector Enterprises on stock exchanges. Higher disclosure levels due to listing to bring about greater transparency and accountability in the functioning of the Central Public Sector Enterprises. The study compares the pre- and post disinvestment financial and operating performance of the selected disinvested Central Public Sector Enterprises (CPSEs) of Indian Manufacturing sector based on the listing status at BSE. The listing and non-listing of CPSEs at Bombay Stock Exchange (BSE) plays an important role in performance improvement after disinvestment. A sample of 12 firms is drawn from various cognate group viz., Fertilizer, Heavy Engineering, Medium & Light Engineering, Petroleum (refinery & marketing) and Transportation Equipment of Indian CPSEs. The period of analysis covers 5 years before and 5 years after disinvestment. To measure the significant change of disinvested CPSEs based on listing status at Bombay Stock Exchange, the sample is split up into two subsamples; listed and unlisted disinvested CPSEs which might lead to difference in the profitability, operating efficiency, output, employment, solvency and stock indicators. To test our predictions, the technique of Megginson et al. (1994) was followed in order to determine post disinvestment performance changes. The analysis is based on ratio analysis, mean, Wilcox on Signed-rank test and proportion test based on Sign test are used as principal methods for testing significant changes in variables. The Mann-Whitney Rank-Sum Test has been used for analyzing the significant difference in variables between listed and unlisted sample. Hence, it is documented that financial and operating performance of the disinvested CPSEs unlisted is higher compared to listed disinvested CPSEs at BSE. Thus, there is a huge 'go to market' knowledge gap which exists in several PSUs. What are the steps involved in getting listed, what processes need to be followed, what approvals need to be taken, what disclosures need to be made, what has been the history of disinvestments in India, etc.

KEYWORDS: Disinvestment; Listed; Unlisted; Profitability; Operating Efficiency; Output; Employment; Solvency; Stock Indicators.
References


