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DISINVESTMENT OF INDIAN PUBLIC SECTOR ENTERPRISES: A GLOBAL PERSPECTIVE

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ABSTRACT

The industrial revolution in the 18th century has segmented many countries into developed, developing and least developing countries considering the wave and the intensity of industrialization phenomena. Government of the different countries have played an instrumental role in transforming the country's economy through undertaking the job of businessman wherein heavy industries recommended for energy, infrastructure and telecommunication were majorly controlled by the government. India too followed the footsteps of Russia tailor-made to mixed economy culture where private and public both participated in the industrialisation process during different plan period. The concept coined as CPSE now is under the quagmire of political consideration for divesting due to poor performance after the landmark year 1991. The paper attempts to focus on various issues pertaining to PSEs once known to be temples of modern India, now struggling for their sustainability either through self- obligation or through disinvestment in Global perspective.

KEYWORDS: Disinvestment, Privatisation and PSE

INTRODUCTION

The 'Philosophy of Laissez Faire' propounded by classical economists remained dominant all through 17th and 18th century slowly started giving way to State regulation and control by the dawn of 19th century. With the passage of time, it became clear that mere State regulation and control is not enough to carry out its policies effectively, the State must directly participate in business and trade. The social evil accompanied by the industrial revolution and the private capitalization with its ugly impact on human relation necessitated an early positive intervention by the State in the economic life of people.

The First World war of 1914-18 further necessitated the State interference in the economic life of the people with a view to mobilize maximum resource for war. The Russian Revolution of 1919 further aggravated the problem to a great extent. Moreover, the great depression of 1930's warranted the State interference in the economic affairs of the people to control probable business fluctuations. World war two further canalized the State participation in the economic affairs of the public life.

State enterprise became a global phenomenon by the second half of the 20th century and they assumed different nomenclature and new dimension in different countries depending on the economic and political atmosphere and climate prevailed in the respective countries. In India, the state enterprises are widely known as public sector, public undertakings, public enterprise etc. is the result of Government's efforts.

Despite different definitions and explanations, the meaning of public enterprise continue to remain vague and varying but it is meant to court the whole of public sector including public service and Government industries and commercial enterprises organised as Corporations and Autonomous organisations.

Meaning of Public Enterprise (PE)

Broadly speaking, PE means an activity of a business character, owned and managed by the Government - Central, State or local authority, providing goods and services for a price. For an activity to become PE, the Government should not only own it but also manage it. The ownership with the Government should be 51 percent or more. In some cases, this ownership may be indirect. For example, the Government owns Air India Ltd., which in turn owns the Hotel Corporation of India Ltd. The latter thus becomes PE. If ownership is through financial institutions, e.g., LICI, UTI, and IDBI, then a unit would not be treated as PE. There are many cases where 51% or more of equity of a company is held by the one or more than one public financial institutions. Such entities are “deemed Government companies” under section 619B of the Companies Act.

Public Enterprises in Different Countries

The PEs have become a world-wide phenomenon in the twentieth century. They have been gradually extending their tentacles over the ownership of means of production and distribution irrespective of the nature of economy or of the stage of development. There is hardly any country today in which the Government is not engaged actively and directly in the setting up and management of economic and industrial enterprises. The growth and actual functioning of PEs, operating in a few important countries, have been discussed in brief below:

United States of America (USA)

The process of State intervention in the economic activities had begun in 1887 when all the steam railways, sleeping car companies, pipelines, motor buses and water vehicles were regulated under the Inter-State Commerce Act. Until, 1930 the public sector in the USA was confined to a few public sector utilities and certain strategic industries. The Postal system and Panama canal were the only two major quasi-commercial enterprises directly owned by the Government. President Roosevelt’s new Deal marked the entry of the Federal Government into the field of economic activities in an even bigger way than before. After the second world war, the public sector had entered into the areas of water supply, transport, and air-port facilities, ice plants, radio stations and steam heating.

A few features of PEs in USA are as follows:

- PEs in the USA are formed under corporation device, viz., wholly owned Government corporations and mixed ownership Government corporations.
- For managing Banking and financial enterprises the Governing Board consisting of full-time and part-time Directors is formed. For other enterprises, an Advisory Committee is formed to assist the administrator.
- The finances of PEs are obtained through loans from the public and the Government budgetary support.
- Under the Government Control Regulation Act of 1950, wholly owned Government corporations are required to present their financial statements and annual budgets to Parliament.
- American PEs are accountable to the public through the President.
- The Comptroller-General is authorised to conduct annual audits. This audit is conducted on the basis of commercial principles and business policies.

United Kingdom (UK)

The economy of UK is based on controlled capitalism. It has a long history of PEs. The General Post office had under Government ownership for more than 350 years in UK. New Public corporations were incorporated after the First world war which were concerned with the operation of socialised industries and services. Between 1919 and 1939, many Commissions and Boards were established. After the end of Second world war, considerable expansion of the public sector took place. The Bank of England, Coal, Transport, Gas, and Electricity undertakings were acquired by the Government one by one.

The important features of PEs in UK are:

- PEs in the UK are recognized as nationalised industries, as most of them have been set up through nationalisation.
- For PEs in the UK, the forms of Public Corporation and Departmental Undertakings are accepted.
- PEs in the UK are managed by Governing Boards, which consists of Both foil time and part-time members.
- A Minister may exercise control over the PEs by the issue of directions, appointment of members of the Governing Board and manager of an enterprise, approval of expenditures and prior sanction of development projects.
- Parliament exercises control through questions, debates, discussion on annual reports and accounts of PEs and select committees of Parliament.
- The accounts of Public Corporations are examined by Professional Auditors, while the books of account maintained by Departmental Undertakings are audited by the Comptroller and Auditor General.

Japan

In Japan, PEs were established in those areas where private entrepreneurs were reluctant to invest money. The Government of Japan has the policy of establishing PEs and later on transferring them to the private sector. At present, PEs are operating in the field of Railways, Transport, Communication, Tobacco, Alcohol, Salt, Forestry, etc.

The chief characteristics of PEs in Japan are:

- Earlier, PEs were organised on departmental lines. At present their organisation and management are classified into the following groups:
  - Kosha Group, wholly owned by the Government or Government agencies, is managed by a Management Committee. The Japan Broadcasting Corporation, the Atomic Energy Corporation, the telegraph and telephone services, the railways, etc. are organised on this pattern.
  - Kodan Group are beyond the purview of private entrepreneurs. The Forestry Development Corporation, the Japan Highways Corporation, the Agricultural Development Equipments Corporation, the Housing Corporation, etc. are to be put in this category.
  - Eiden Group, includes the Metropolitan Rapid Transit Corporation.

- Enterprises organised on Company and Corporation form include the Electricity Development Co. Ltd., the Japan Airways Ltd., the Petroleum Resources Development Co. Ltd. etc.

- Enterprises under Kosha Group are financed by the Government.
- PEs in Japan are controlled by Diet. The Government of Japan exercises strict administrative control. The concerned Minister has got all the powers to issue necessary directives.

Australia

The PEs in Australia are either established as Departmental Enterprises or as Statutory Corporations. A few PEs have also been organised on Company basis.

A few important features of PEs in Australia are as follows:

- For the Management of PEs, the commissioners, who are the salaried employees of the enterprise, are appointed by the Governor-General.
- The corporations are strictly controlled by the Government. Every corporation has to submit its annual forecasts before the concerned Minister and has to present its annual accounts before Parliament.
- All the PEs have to maintain their accounts in approved form of treasury. The books are examined by the Auditor-General and his report is sent to the Parliament for discussion.

Canada

It was only in 1940 when the PEs in Canada were given legislative recognition. In the year 1946, the Government Companies Operation Act was passed to % regulate the operation of companies formed under the Companies Act.

A few salient features of PEs in Canada are as follows:

- Government Corporations cover a wide range of activities, such as the operation of railways, steamships, air transportation services, harbour facilities, operation of arsenals, atomic energy, television and radio.
- All the PEs are established as “Crown Corporations” under Special Acts of Parliament.
- The Corporations are accountable to the public through the Ministers.
- Annual Reports of PEs are presented in Parliament and Parliamentary control is exercised through debates, select committees and questions.

USSR

The origin of PEs in the USSR may be traced back to 1919 when several private industries were nationalised by the Government. In the year 1957, Regional Economic Councils were formed to manage PEs. By 1959, there were over 2,50,000 public industrial enterprises with 1,00,000 more under construction.

The principle characteristics of the State intervention in economic activities in the USSR are:

- The property in the USSR exists either in the form of state property (belonging to the whole countrymen) or in the form of co-operatives and collective farm property.

- The Management of industry, transport, and trade is conducted by independent public corporations.
- The Management of every public corporation has been entrusted to a Director who is to be assisted by a Chief Engineer and an Accountant.
- The responsibility to conduct audit of the books of account of public corporations is entrusted to the Finance Ministry.
- The control on public corporation is not exercised by the Ministries. There are about 105 regional economic councils to control and regulate the functioning of public corporations.
- PEs in the USSR get their finances from budget, profits and loans from the State Bank. For all practical purposes, public corporations have autonomy in their financial matters. Their accounts are not mixed up with State budgets.

Literature Review on Disinvestment and Privatization in Global Perspective

Focusing a sea change in market dynamics the period between 1991 to 2005 was very crucial for the PSEs for survival and sustainability to overcome the competition in an open market with a level playing in almost every country. The major studies are enumerated below.

(Thompson, 1986) examine the privatization in the UK. One purpose is to improve the economic performance of the industries concerned. Another is to resolve the persistent problems of management and control, i.e., the relations between government and nationalized industries. The treasury is greatly interested in the revenue which can be obtained from privatization. The concept behind the promulgation of capitalism reveals that private entities are conceived to be more efficient as compared to nationalised entity. They opined in their study that PSEs are for established for specific concern and objectivity to assist the country in the economic growth trajectory, sometimes they are forfeited due to certain macro-economic problems of the country. This result in failure of ascertaining the objectives and leads to inefficient branding of PSEs with concern over productivity, cost-effectiveness in line with purchasing power of the consumers.

(**MR Bishop, 1991**) compare performance of privatized UK companies with those that stayed in the public sector. The authors did not find any valid cause of difference on comparison of efficiency between Public and Private enterprises. They have measured profitability ratios such as (ROCE) and (ROS), and found both ROCE and ROS were generally higher among the privatized companies than among the public sector ones. The interesting facts they highlighted in their results that better rather excellent profitability ratios PSEs are being offloaded.

(Lorch, 1991) compares the performance of 24 privatized textile mills in Bangladesh with 35 other mills that the government did not privatize by using unconventional measures of performance. He focuses on four functional areas: procurement, production, sales and support function. "Efficiency" was defined as "cost advantage. "The study culminates with the fact that textile industry of Bangladesh does not warrants for any sort of privatisation with respect to efficiency measurement.

(**A Galal, 1994**) made an attempt to find out the effects of contribution and of 12 organisations located in Chile, Malaysia, Mexico (Manufacturing Hub), and UK to explore and analysed whether privatisation have made any significant changes in the efficiency of PSEs. The study documented net welfare gains in 11 of the 12 cases. They examined the performance of three privatized firms in each country and compare it to a hypothetical counterfactual of how the firm would have performed had it not been privatized. This approach has the important benefits of controlling, at least in principle, for environmental effects such as economic growth or government policy. The study has examined at the overall welfare impact of privatization rather than just the performance of the enterprise. The study provided a desegregation of the distribution of welfare impact among consumers, workers, owners, competitors and the government.

The study proclaimed that privatisation could not be the solution of problems of all inefficiency. China presents an interesting case where, to begin with, the country moved its loss-incurring state enterprises to market conditions more slowly than other transition countries and at the same time had explosive growth of new enterprises. But, of late, China's effort in fundamental restructuring of large number of state-owned enterprises (SOEs) has led to massive layoff of excess workers. This has resulted in huge loss of jobs which can lead to social turmoil.

However the financial ratios have shown a remarkable improvement. Leverage ratios have shown decline. Although the studies have not examined the linkage between improvement in profitability and price increase, they have offered indirect evidence that performance gains were not the result of market power exploitation.

(**WL Megginson, 1994**) compare the pre- and post-privatization financial and operating performance of the period of 3-years-after with that of the 3-years-before privatization of 61 companies from 18 countries (6 developing and 12 industrialized) and 32 different industries that experience full or partial privatization during the time span of 1961-1989. Under these companies, the government sold off its equity but no capital flowed to the firm itself. Therefore, any improvement in performance after divestment must be traced to changes in incentives, regulation, and ownership structure rather than to cash injections into the firm from a new capital issue. They document significant increase in profitability, output per employee, capital spending, and total employment after privatization.

(Roland, 1994) and **(BG Katz, 1995)** the authors conceptualized gradual participation of private claims can make the transformation process easier and less cumbersome and sometimes even increase the probability for strong economic growth due to the feedback of performance post privatization i.e. "learning by doing" effect. The authors also pointed out the methods of privatization either complete conversion to privatization of economy of the country or gradual privatization as the intermediate/experimental stage. The model suggested in the study was based on the changing economic patterns of countries such as Cuba, USA, UK, India and many other countries which fall under such gradual phenomena of peace-meal policy changes. The study was based on established historical facts of economic revolutions with increasing demands. The observation of study exhumed that the economy of these countries were of complex nature and resembles with the pattern of economy of Russia, China and South America.

(S Martin, 1995) examined the performance of eleven British PSE pre and post privatization considering the profitability ratio, CAGR, value addition employee per hour. The study found assorted outcomes.

(Ramamurti, 1997) examines the service sector PSEs especially transport related services pertaining to Ferrocarriles, Argentinos, the Argentine national freight and passenger railway system. The study found outstanding improvement in terms of labour productivity vis-à-vis tremendous reduction in man power. The improvement was to the level of 370 percent with almost 79 percent reduction in employment. He conclude affirmably that privatization is the only solution for improvement.

(**Sueyoshi, 1998**) examines the economic assertion by comparing Nippon Telegraph and Telephone (NTT), a Japanese government company's performance before and after its privatization. He focused over managerial prospective and hindrances while undergoing gradual privatization. The study explored the impact of privatization where an interesting fact was observed that simple manpower reduction increased the productivity of Nippon Telegraph and Telephone (NIT). The company could not able to achieve cost effectiveness as expected. He enumerated in study that ownership pattern does not have significant impact on the performance of the organization, there are various other extraneous factors are responsible for the sustainability of organization considering the corporate environment, industry and economic condition under which the company operate. He further emphasized the role of government intervention and policies which could have a serious impact on the organizational performance. He explained through NTT's case study that even a private firm can behave like public firm having draconian rules and regulations of governmental policy. The common perception that dilution of controlling interest of the government though privatization and major structural reforms including replacement of leadership is not the panacea rather the dilution and influence of political control and providing more autonomy can be more appropriate remedy considering the case study of NTT. The outcome of NTT's case study was even welcomed by labour union of the organization having consensus with the management philosophy of uprooting governmental interference in controlling the telecommunication industry.

(J D'Souza, 1999) compare the pre- and post-privatization financial and operating performance of 85 companies from 28 countries (13 non-industrialized and 15 industrialized) for the period of 1990 through 1996. It is based on the research done by Megginson et al. (1994) and Boubakri and Cosset (1998).They document significant increase in profitability, real sales, sales efficiency, and dividend payments and significant decreases in leverage ratios after privatization. However, employment decreases after privatization. The most intriguing result of this study was difference between performances of non-competitive as well as competitive industries. It was found non-competitive industry reflected remarkable improvement in terms of profitability, sales efficiency and dividend pay-out.

(R Frydman, 1999) evaluated a scientific study with the sample size of 218 firms of which 90 firms were owned by the government sector and 128 firms were owned by the private sector. The sample was drawn from three nations, the Czech Republic, Hungary, and Poland. The study was for the period 1990-1993. The study was divided into two groups i.e. performance evaluation of first group undergone privatization and second group i.e. state firms who were not privatized. The privatization was considered as an independent variable over dependent variables linked with firm performance, comprising standard section data dealing assessment technique. The authors concluded that privatization did work as it increased revenue and employment.

(Abelson, 2003) The study was an attempt to know the result of privatisation pattern followed in Australia operating in the Australian jurisdictions. The study covers 9 case studies with focus on the industry pattern, disinvestment procedure and Australian dominions. The study indoctrinates three important perspectives. First, long-term financial returns have minuscule stimulus over decision to privatise. All the 9 cases reveals that citizens of Australia were not sufficiently compensated for the impact of cumulative losses of formerly possessed assets and the governments are concerned mainly with short-term issues. Secondly the author observed that sales have undergone considerable transformation which leads to the success of the organisation post-sale were government have also assisted. Third there is a consistent pattern of winners and losers from the privatisation. The winners were the financial institutions, the new shareholders and private consultants; the main losers were the workers in the pre-sale organisations and future taxpayers.

(**Jonas, 2009)** has studied government owned enterprises in Nigeria and various factors effecting the productivity, operational efficiency and performance based accountability of public sector enterprises. He examined the case study of Nigerian, telecommunication industries (NITEL) which was being privatized on above mentioned factors through study based on the responses of twenty NITEL through a semi structured questionnaire mainly interview based. The study was based on linkage between privatization and operational efficiency of the organization considering leadership, efficiency, effectiveness, accountability and productivity to be important variables. The findings of the study suggested that due to improper leadership, inadequate performance measurement, lack of adoption of strategic management practices and failure of responsibility accounting lead to decline of NITEL. The study further focused on pros and cons of privatization with respect 2 school of thoughts. One school of thought preferred privatization in order to improve quality of goods and services while other believed that concentration of economic power in private hands may increase the prices of goods and services. The study provided the base line on above school of thoughts by measuring the perception of the responded. Further the study highlighted privatization phenomenon in Nigeria as well as in many other developing economies is challenged due to serious resistance because of shift in functions, control and ownership from public to private sector. Justification for privatization is not restricted only to the expectation of increase in the efficiency level rather there is a concern about leadership, accountability of public officials and productivity enhancement. The main purpose of reforming the structure and management of public organization in Nigeria is to increase operational efficiency and productivity.

(Lisa, 2010) examined the short term effects of government bailouts of private sector of nine industries of United States using event study methodology. The study found a considerable impact on the overall market sentiments and economic output in the short term due to government bailouts. There was also a significant, positive impact on the S&P 500 in the very short term. The investors' expectations from the financial market are reflected through S&P since their expectations are quickly factored into the pricing and indexing in S&P 500 market indicator. S&P in a way serve as a leading indicator of economic recovery and recession during bailouts programme of government. It further signifies the confidence of investors in the government ability to underpin and diminish the financial crisis.

(F Goher, 2012) state that privatization is an important tool for the government to enhance the production capability and improving the performance of (SOEs) in the cases of non-performing (SOEs). The authors have reviewed privatization policies of Pakistan. The study has found that privatization is major transfer of managerial burden of production of goods and services into private hands by diluting the public/government control in order to facilitate, partial and full efficiency in conducting the business activity. The study also analyse the impact of privatization of state owned industries over economy of Pakistan with respect to FDI and employment opportunities. The result showed positive impact of foreign direct investment on employment opportunities. The results also explore negative impact of privatization on the economy by creating uncertainty in the employees working in the state-owned organizations, which have potentials to be privatized. The author were of the opinion the privatization has not turned beneficial both for labour leaders as well as social partners who were involved by the government in decision making process related to privatization. In certain cases the study examined that the government revenue maximization objective has mislead the transfer of underperforming state firms to the highest bidder irrespective of the merit of the buyer. In certain cases the privatization has not only adversely affected the state of industry but also imposed a high cost in terms of job losses. The study also found that in certain cases the private owners have taken over state owned enterprises with mala fide intension to capitalized blocked economic resources in terms of land and inventory rather to operate the plants. Further the privatization in certain cases created ethnic problems in the local communities since the owner belongs to different areas who have given the opportunities to the labour class of his native land and ignoring the local communities. Moreover privatization has decreased wage benefits, increase the losses in job markets, resulting in unemployment which also decreased the bargaining capacity of the workers. Privatization has almost finished the unions.

Overview of Global Privatization Country-Wise

United Kingdom

U.K. was the first country in the '80s to institute a large-scale privatization program, there is a tendency to look to it as a model for others. In U.K. there were two prime ingredients which were expected to change the performance of state-owned industries. The first was an improvement in the quality of management and the second was a widening of management’s freedom to manage without government interference. Since these are very fundamental to the success or failure of the privatization program. Privatization in UK has made it possible to attract good senior managers into what were once state-owned industries. Indeed, even the prospect of privatization has enabled companies to hire good senior managers before the privatization takes place. The second major change which the British government sought to make in privatizing these industries was to reduce government interference. In theory UK industries, even when state-owned, were run at arms' length from the government; in theory they were separate corporations, they had separate financial objectives and targets; and in theory they were independent. But in practice, ministers found it hard to resist intervening. The third aspect of management freedom in UK which was observed is that to survive some UK industries have to be free to make international alliances majorly in telecommunication industries.

Argentina

Argentina the privatisation process was not considered to a panacea for the economic crises. In Argentina there was no perfect privatization at the beginning. The country realised that some of the privatizations were far from perfect; they are now having troubles with one of them. The policy makers in Argentina found that there is a direct relationship between privatization and welfare. The country experienced that the most important cultural change generated by privatization is accountability. When people realize that they can exercise their most basic rights- such as calling and getting answered; getting a service; blaming a politician; or blaming someone who does not provide service, because now they are the real owners of the state apparatus- the process cannot be stopped, and this is a major outcome of privatization.

Poland

Polish privatization practically started in the summer of 1990 with the Privatization Bill and in the beginning there was considerable interest in classical privatization (which means British – style privatization).Approximately 1,000 companies have been privatized in the same year. The policy of the polish government is a multi – track approach to privatization. All ways of privatization are applied and encouraged. Five hundred other companies, mostly in the industrial-manufacturing-construction sector, were transformed from state-owned companies into joint stock companies, which mean it was relatively easier to privatize them, provided they are attractive to buyers. The Mass privatization in Poland seems to be a solution for companies that are good but not good enough to find direct investors or buyers, either domestic or foreign, in the near future. Polish policy of privatization believes that there are many opportunities for long-term restructuring in Poland, for which there is a need of financial skills, marketing skills, and management information skills; then, when these problems are solved, the capital will come in to restructure those companies. The main objective of privatization is to restructure the companies; to provide managerial skills in the short term and capital in the longer term without involving valuation expert.

Canada

The government of Canada has embarked on a program of privatization of state-owned enterprises as part of a comprehensive range of structural reforms, and the underlying thrust of these reforms is to reduce the cost and burden of government and to lay the foundation for a more competitive and market-oriented economy. It's been suggested that other countries suffer from too much history; Canada has too much geography. With 5,000 miles coast to coast, it's the second largest country in the world, but have a relatively small population of just 27 million people. It's hardly surprising that in the early years Canadians looked to their federal government to provide nation-building services, such as rail and air transportation, and communications; services that the private sector could not or would not supply at that particular time. Since 1985, the balance sheet of Canadian privatization program records a considerable success in reducing the involvement of government in the day-to-day running of our economy. Out of 23 privatization initiatives most of the proceeds from these divestitures, which totaled more than $4 billion, have gone into the consolidated revenue fund of the federal government. Through privatization policy of Canada 52,000 jobs were being transformed to the private sector since 1985 to 1992.

Russia

The course of the Russian Government was the integration of Russian economy into that of the world's, with rules must be compatible with the rules accepted in the world. In addition to supporting private enterprise, the program also foresees a whole range of new measures on education. The best laws and standards of regulation will be functional only when they are known by business people and by the whole population. The policies of the government will be a transition to a market economy and will be understood by the whole population, in order which will be accepted not only psychologically but also rationally. It will be a liquidation of economic illiteracy, however, and in this regard the Russian policy count on and turn towards association with the outside world to help us in the organization of education.

Kazakhstan

In Kazakhstan the first stage of the program was to privatize the small business sector – retail trade, tourism, small scale agriculture, and so forth. The second stage of privatization was mass privatization. Kazakhstan decided to give, without charge, part of the state property to the inhabitants of their republic. The third part of the privatization program, was selling off the largest state enterprises one by one; very large enterprises which employ more than five thousand persons each. These enterprises represent various sectors of the economy – oil and gas, mining, machine tools, and so forth. Some of them have great potential for investors such as chrome deposits and some other metals. One of the sites Kazakhstan have already privatized is their tobacco plant, which has been sold to Philip Morris, and are also completing plans to sell the stock of two margarine processing plants, as well as a confectionery factory. Kazakhstan has opened tender for 38 large enterprises at one go which were all profit making. The legislation and other conditions which were being established were found very favourable to international business.

Sweden

Sweden started the privatization of state-owned holdings in 35 groups. The privatization program was a long-term one and stretched over several electoral periods and business cycles. It varied from big public utilities and ordinary competitive companies to, for example, the state dog training school. They started with the steel company, SSAB, as the first privatization sale during this spring. SSAB was one of the most competitive and well-structured steel companies in Europe, and was listed on the Stockholm stock exchange. Sweden subsequently continued their privatization program with the objective of attaining a sales volume of approximately $1.5 billion annually. The privatization was done with an approach that they will use the sale proceeds of SSAB to offer the public the opportunity to acquire state bonds with detachable options; offering the opportunity to buy shares at a later time. Sweden privatization was with utmost importance with overall objective: to privatize and reduce the political interference in business and industry. There were four primary reasons underlying Sweden privatization program. First, it involves a streamlining of the state’s role in society and in relation to business and industry. The second reason is to spread ownership throughout society. Thirdly, Sweden believed that privatization will make the companies stronger and more competitive. The fourth reason was that state revenue from the sales will release capital that could be utilized for infrastructure investments in roads, railroads, airports, telecommunications, science, and higher education, or to just decrease the national debt. In other words, through privatization the state switches from one form of asset to another, which strengthens the nation’s overall competitive power.

Czechoslovakia

Czechoslovakia started privatizing small-scale enterprises first seeking buyers within the country. However Czechoslovakia faced big problem with the lack of capital at the disposal of the people who would like to buy small businessman. The country followed the large-scale privatization by adopting standard privatization methods: employee shares, the state keeps some shares, and foreign companies may be interested in shares; but the country also offered a very unique, very controversial, non-standard method, which was called the method of investment vouchers. Every inhabitant of Czechoslovakia older than eighteen years will get virtually free a booklet with vouchers. There will be ten vouchers each worth 100 points, so the booklet will be worth 1,000 points. They will have no money value, but will be used to obtain shares in companies which will be privatized. Voucher holders will get a list of all companies being privatized, a description of the companies, and also, the price of the shares, and they will be able to participate by buying with this investment money which cannot be sold, and cannot be transferred to anybody else. The voucher holder can either use it or throw it into the wastepaper basket. This method faced many problems. The biggest problem of this system was that there would be no generation of capital. This system helped just to change state ownership into private ownership.

United States

United States took the method of MBO; Management buy Outs to privatized almost 1200 companies. US also tried other forms of privatization. For example, through big international auctioning processes, advertised worldwide in newspapers in The *Wall Street Journal and The Financial Times*, US auctioned off companies, industry by industry referred to be tender offer practice. This tender offering was not completely compatible with the typical American tender offer but what US tried to do is to set deadlines and sell companies in the given time frame. The country also adopted the method of MBI i.e. Management Buy Ins. US sold 7,122 companies, ranging from the big InterHotel chain to garage sales, if one may call them so, where country has sold smaller companies to two or three of the employees. United States have overhauled into audacious move of privatization relying heavily on capitalist class economy. The country generated US $ 17.5 billion and invested the proceeds in foreign acquisitions.

CONCLUSIONS

Lot many countries have changed the gears from government controlled enterprises to private owned enterprises. There has been a common practice and almost common objective for privatizing; that is to provide autonomy and make the government enterprises more competitive. However few countries objective was little different but the objective of the developing countries was only to happenstance the shocks of open economy. Nonetheless the disinvestment and privatization is need of the hour and is profoundly depended on the country's economic problems and prospects. Few countries have utilized the disinvestment proceeds for meeting their fiscal deficit. The major problem which is impeding the targeted disinvestment is unforeseen internal as well as external shocks. Presently the nations are struggling to divest even the profit making PSEs due to very bad market condition especially in India who have deferred the disinvestment process and seems to be difficult that the targeted disinvestment of this financial year could be achieved. Privatization could be the panacea for survival but disinvestment could not be the panacea for survival, the only method for the survival is sustainability which is of prime concern. There are numerous factors of sustainability which could be foreseen and capitalised so that none of the nations should undergo dread sell off just making the term privatization and disinvestment misnomer.

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