

## PERFORMANCE CONSEQUENCES OF DISINVESTMENT ON COGNATE GROUPS OF MANUFACTURING SECTOR IN INDIA

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### ABSTRACT

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 cognate groups after disinvestment. A sample of 12 firms is drawn from five cognate groups from manufacturing sector 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. Hence, the full sample is partitioned into respective cognate groups 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, median, Wilcoxon Signed-rank test and sign test are used as principal methods for testing significant changes in variables. To test the significant differences among the groups Kruskal-Wallis test is applied for the subsample based on cognate groups is adopted. Based on the results obtained from the study, it is documented that greater performance improvement for the Heavy Engineering groups of companies in majority of the performance indicators when compared to the other cognate groups after disinvestment. However, the performance of Transportation Equipment was very far from satisfactory after disinvestment. Thus, the empirical analysis revealed that there is no significant difference among cognate groups after disinvestment.

**KEYWORDS:** Disinvestment; Cognate groups; Profitability; Operating Efficiency; Output; Employment; Solvency; Stock Indicators.

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