

IMPACT OF DIVESTITURE ON CORPORATE LIQUIDITY PERFORMANCE OF INDIAN MANUFACTURING SECTOR

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ABSTRACT

The aim of this paper focuses on the impact of divestiture on the liquidity performance of the selected disinvested Central Public Sector Enterprises (CPSEs) of Indian Manufacturing sector. 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 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, CV, CAGR value of each variable for each firm over pre and post disinvestment periods are calculated. Paired t- test, Wilcoxon Signed-rank test and proportion test based on Sign test are used as principal methods for testing significant changes in variables. To test the significant differences among the group Kruskal Wallis test is applied for the subsample based on approaches to disinvestment and based on cognate group. To test the significant changes between the listed and unlisted disinvested CPSEs at Bombay Stock Exchange Mann-Whitney Rank-Sum Test is adopted. Results obtained from this study are mixed. Whereas some of the sample CPSEs shows improvement in some indicator other sample CPSEs have shown decline in some indicator after disinvestment. However, in spite of mixed results the overall picture shows improvement in liquidity for at least more than 60 per cent of the sample.

KEYWORDS: Disinvestment; Minority Disinvestment; Majority Disinvestment; Complete Privatization; Cognate group; Listed; Unlisted.

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