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**THE RELATION BETWEEN OWNERSHIP AND PERFORMANCE IN THE
MANUFACTURING SECTOR – AN ANALYSIS BETWEEN GOVERNMENT
OWNERSHIP V/S PRIVATE OWNERSHIP**

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ABSTRACT

This paper examines the performance of the government sector and the private sector ownership in terms of growth rates in variables such as growth in no of factories, No of labours and value of output. This study is based on the time line of 2001 to the 2005 ASI data. The raw data has been converted into constant year price and Growth rate has been derived. This paper only contains analysis part as the previous part of this paper has dealt with theoretical part of this paper.

Keywords: Normal log, Base year, Ownership, Regression.

INTRODUCTION

There are three economic systems or the three ideologies which try to answer the typical questions of the use of resources and their distribution. The first ideology is called capitalism where the private ownership is duly regarded and property rights are clearly defined which encourages the stakeholders to increase the productivity and efficiency as it clearly gives them more returns. This ideology also different in terms of degrees of ownership applied. As in the case of US higher degrees of capitalism prevails while in India it is in semi situation and still going to the full capitalism path while

China is the unique case of market capitalism while political pure socialism. China represents a unique case in terms of Economics also because the Chinese government has one way or other way partnerships in the companies. The performance aspect also says that a company who has an effective Chinese government partnership does not face financial problems but face efficiency problems. In the china except for foreign company, most domestic companies have government partnership one way or other way because of there three types of shareholders in China, one government, political individual shares and common individual shares, only common individual shares are allowed to trade freely in the market rest are not allowed which clearly shows that one way or other way the Chinese government is dominating the market.

The second ideology is the more or the total control of Government on the economic resources where no individual has any right on property only government will decide the production and distribution of economic resources. Property rights are not clearly defined, which does not give an inducement to the people to work efficiently. Many empirical studies have

shown that the reasons for the non-efficiency.

The third ideology is a Mix economy where government and private sector both work together, distributes economic resources and consumption. The concept of Mix economy sometimes seems a transition period because in the very same case of India where from the 1950 Government tried to become one point solution of all economic problem such as production and distribution, which later on reduced and we did reform in 1991 and dismantled all the unnecessary government controls which were hampering progress of Indian economy.

This paper shows the Indian ownership performance analysis in terms of only 3 variables, as No of factories, Wages and value of output.

REVIEW OF LITERATURE

(Zhang & Kyaw, 2016) have analyzed the proprietorship arrangement with Industrial ownership performance in Chinese Firms. The statistics model comprises data of more than 5000 firm-years from the yearly reports of the firms. research indicates the liberalization progression of China and its procedure. This generates the scope of this research as “After liberalization does change in ownership has affected firm performance?” The result shows that in China most of the firms are still under the joint (with the private sector) but dominantly under government ownership. The study shows that institutional ownership has an affirmative relationship with firm performance. The study surprisingly shows that the quantity of tradable share and performance has an adverse relationship which signifies that the market is still new or imperfect in that field. The study also says that performance of government-owned firms or firms with government stock has a positive effect, not for the reason that the capability of

concern management but because these firms have “political support of government” in terms of sourcing best and cheap resource.

(Pivovarsky, 2018) This examination is about the association between “ownership concentration and firm performance” in the 376 partly and wholly privatized firms, out of 376 firms 138 firms are entirely privatized and others have 50% private ownership. These study assertions that firm proprietorship and performance has a positive relationship and dispersed ownership has an adverse association with firm performance. Do the questions arise why this study has been conducted in Ukraine? The answer is again in the 1990s as Ukraine numerous countries have gone through privatization of large and intermediate scale industries and the study assertions that private concentrated ownership has achieved sound performance compared to other methods of privatization. This research also explains that private firms with foreign ownership have a more positive effect on performance compare to the domestic firm.

Data and Methodology for my research

This study is based on the data of ASI (Annual survey of Industries) 2001 to 2005 of types of organization. The study will find out the growth in terms of No of factories, No of labors and value of output. The ownership which has been taken are 1) Individual proprietorship 2) Public limited company 3) Private limited company 4) Government Departmental enterprises 5)Public corporations. The raw data has been given in Appendix 1.

Step 1

The raw data has been converted from current year prices to constant year prices. The Year 2012 has been taken as a base year. The splicing method has been used for converting other base years into a single base year of 2012. (Gupta., 1969)

Step 2

The data on constant year has been converted into Log Normal to remove all seasonal and extreme fluctuations in the data.

Step 3

Simple linear regression has been taken to get the final single point growth rate of the related variable. Time variable (study Years) has been taken as Independent variables and Log-Normal data (Conversion of Raw data) has been taken as a Dependent variable.

ANALYSIS

This study will directly come to the exponential growth rates of study variables. Which have been shown in Table 1.

1) No of Factories: - Table 1 shows the exponential growth rate of No of factories in different ownership models. The growth rate in No of factories in Individual proprietorship is 5.05% during the five year study period which is positive, while the Exponential growth rate of Public limited companies in No of factories is -2.23% during the study period which is negative, at the same time Private limited company recorded 4.42% growth rate in the same category. Government Department Enterprises recorded the highest negative growth rate with -22.06%, Public corporation also recorded -12% growth rate in the concerned variable. This result clearly shows the difference between both types of organizations.

2) No of labors: - Table 1 shows the Exponential growth rate of different ownership during the study period. The Individual Proprietorship recorded 9.78% of growth rate in terms of No of labors, while Public limited company recorded -0.90% which is negative. The private limited company reached to the 11.12% of growth rate in no of labors while

Government department recorded -15.24% of growth rate. This results also make sense of the comparison between these two ownerships with corporate ownership.

3) Value of output: - Table 1 also shows the exponential growth rate in the value of output. The Individual proprietorship achieved 6.27% growth rate in the value of output at the same time public limited company recorded a 6.07% growth rate, private Limited Company recorded 16.64% growth rate while Government department and public corporation recorded 11.32% and 11.75% growth rate respectively. This result shows that the value of output has remained positive in the ownership during the study period.

Table 1

Types of ownership		Exponential Growth Rate (In Percentage)		
		No of factories	No of Labours	Value of output
Individual Proprietorship		5.05	9.78	6.27
Corporate Sector	Public limited company	-2.23	-0.90	6.07
	Private limited company	4.42	11.12	16.64
	Govt Dept Enterprises.	-22.06	-15.24	11.32
	Public corporations	-12.00	-8.42	11.75

Table 1 Exponential Growth rate of different ownership in different variables.

Limitation of this study

1) This study is of a very limited period of 5 years from 2001 to 2014.

2) This study only takes 3 variables further papers will be published with a timeline of a decade and more variables.

CONCLUSION

The present study shows that the performance of the private sector is more sound and effective in the particular variables while it is a mix in some variables, which have been included in this study. The government sector has reduced

its share in the market mechanism in Indian and slowly it is shifting towards total capitalism. The study also shows that though government department enterprises recorded negative exponential growth in No of factories and No of labours while Value of output has been increased which shows the effect of competitive market environment on the government but this should not be understood here that performance of government sector has been increased because still many variables have not been included and time period of this paper is limited.

Appendix 1

Raw data

1) No of Factories: -

Year	Individual Proprietorship		Corporate Sector							
			Public limited company		Private limited company		Govt Dept. Enterprises		Public Corporation	
	No of Factories	Normal log	No of Factories	Normal log	No of Factories	Normal log	No of Factories	Normal log	No of Factories	Normal log
2001	31,813	10	13,848	10	30,239	10	422	6.05	677	6.52
2002	32,743	10	14,088	10	30,269	10	439	6.08	564	6.34
2003	33,778	10	13,658	10	30,750	10	433	6.07	573	6.35
2004	36,315	10	13,555	10	33,341	10	246	5.51	441	6.09
2005	38,895	11	12,627	9	35,940	10	187	5.23	413	6.02

Table 2 source: <http://www.mospi.gov.in/osi-summary-results> (Table data has been compared with the base year 2012)

No of Labours: -

Year	Individual Proprietorship		Corporate Sector							
			Public limited company		Private limited company		Govt Dept. Enterprises		Public Corporation	
	No of Worker	N-Log	No of Worker	N-Log	No of Worker	N-Log	No of Worker	N-Log	No of Worker	N-Log
2001	546,453	13	2,288,606	15	1,340,577	14	42,999	10.67	235,402	12.37
2002	603,680	13	2,206,671	15	1,607,776	14	36,464	10.50	228,244	12.34
2003	646,661	13	2,205,333	15	1,495,955	14	33,373	10.42	201,707	12.21
2004	729,748	14	2,312,898	15	1,719,374	14	26,115	10.17	181,185	12.11
2005	810,589	14	2,136,293	15	2,260,748	15	23,707	10.07	173,353	12.06

Table 3: <http://www.mospi.gov.in/osi-summary-results>. (Table data has been compared with the base year 2012) N Log = Normal Log.

Value of output: -

Year	Value of output (Billion Rs.)												
	Individual Proprietorship						Corporate Sector						
	Base 2012	Current Price	2012=100	Normal Log	Current Price	2012=100	Normal Log	Current Price	2012=100	Normal Log	Current Price	2012=100	Normal Log
2001	100000	100000	100	11.51	100000	100000	11.51	100000	100000	11.51	100000	100000	11.51
2002	100000	100000	100	11.51	100000	100000	11.51	100000	100000	11.51	100000	100000	11.51
2003	100000	100000	100	11.51	100000	100000	11.51	100000	100000	11.51	100000	100000	11.51
2004	100000	100000	100	11.51	100000	100000	11.51	100000	100000	11.51	100000	100000	11.51
2005	100000	100000	100	11.51	100000	100000	11.51	100000	100000	11.51	100000	100000	11.51

Table 4: <http://www.mospi.gov.in/osi-summary-results> (Table data has been compared with the base year 2012)

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