

EFFECT OF PRIVATIZATION ON THE PERFORMANCE OF ORGANIZATIONS

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Abstract

There are a number of studies in the literature to analyze the credibility of various economic tools and their consequential effect on the performance of organizations and the economy as a whole. Privatization is one of those econometric tools. The study is aimed to test the effect of privatization on performance. The core part of this study is to empirically analyze the effect of privatization of the government organizations on the financial performance and operating performance, and the shareholder's confidence of the privatized organizations in Pakistan. The study takes an objective approach by comparing the performance of public sector organizations with those that have been privatized. For this purpose, the performance of 7 privatized companies is compared with those of 6 public sector companies during the course of 6 years. The study then generalizes the effects of the process of privatization studied for Pakistan's economy on the overall similar developing economies. The study progressively explores the fact that privatization has proved to be ineffective in case of developing countries like Pakistan, which is primarily because of the inefficiency of the privatization process.

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