

# **INFLUENCE OF METHODS OF PRIVATIZATION ON FINANCIAL PERFORMANCE OF FIRMS LISTED IN NAIROBI STOCK EXCHANGE**

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## **Abstract**

*Privatization policy was recommended by the World Bank and officially adopted by the Kenya government in 1991. Since, 1991 over 140 of the 207 former state owned Enterprises earmarked for privatization have been private. Different methods have been employed to privatize these state owned enterprises (SOEs). The main objective of carrying out this study was to find out whether the method employed in divesting from these SOEs does have an impact on the post divestiture financial performance of the said enterprises in terms of profit, liquidity, solvency and productivity using ex post facto survey design. The target population was 11 companies; eight privatized by public floatation, one by competitive bidding and two by pre-emptive rights listed in Nairobi stock exchange by 2005. A sample of six companies, one sold by competitive bidding and two sold by pre-emptive rights were purposively selected while three out of eight were sold by public floatation were selected by simple random. Secondary data was collected from records in Nairobi Stock Exchange. Data was analyzed through working out mean ratios on financial performance five years for the prior and post privatization period for the selected firms. Paired t-test was used to examine whether mean differences on performance are significant. The findings indicated that; the firm privatized by competitive sale showed significant improvement on profit, liquidity, solvency and productivity. In firms privatized by public floating one firm recorded significant improvement on liquidity, the second on in liquidity and solvency and third on profitability, liquidity, and productivity. In firms privatized by pre-*

*emptive rights significant improvement was not reported in any of the parameters while the second firm only improved in liquidity. Privatization by competitive sale is associated with the best financial performance. The findings may inform government and policy makers on the best method to privatize firms.*

*Keywords: Privatization, Financial performance, Profitability, Liquidity, Solvency, Productivity*

## **INTRODUCTION**

Immediately after World War II there was an increase in state involvement in the production of goods and services. This stemmed from an amalgam of political and economic forces and philosophies which were prevalent then (Muir & Saba, 2005). A number of policies were implemented which shaped the economic profile of the developed and developing countries. Some countries embarked on nationalization programs mainly focused on energy transport and other utilities. The nationalized companies were transformed into entities, which became part of the government departments and in other cases they became State Owned Enterprises (SOEs). Newly independent countries faced many challenging objectives such as development of an industrial base and entrepreneurial class with sufficient capital to invest; promoting indigenization, creation of employment; fostering infant industries and controlling strategic resources. To this end many counties responded by accelerating the role of the state in the economy.

For the past 25 years governments in developing countries have added significantly to the stock of SOEs, marketing boards, utilities and other enterprises. Governments hoped that public enterprises would assist in development of strategic sectors, gain access to commercial credit and thus fill entrepreneurial gaps, empower numerically large but economically weak segments of the population, maintain employment levels and raise the level of savings and investments. Therefore state ownership was not thought to offer any inherent obstacles to effective functioning of these enterprises, (Shirley & Nellis, 2011). As early as 1970s many governments had recognized the fact that SOEs were performing poorly. Poor SOEs performance was associated with labour rigidities in the market increased fiscal and foreign debt and inflation problems. SOEs provided poor and unreliable service failed to meet demand and was lagging behind in technology areas like telecommunications (Shirley, 2013). Mismanagement, bureaucracy, waste, pilferage incompetence and irresponsibility by directors and employees are the main problems that have made SOEs fail to achieve their objectives. As

a result the economic policy of privatization became a deliberate option to counter the challenge of privatization.

### Overview of Privatization

Privatization is defined as the deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents which is now in use worldwide especially to counter the challenge of poor performance in public enterprises (Araral,2008). Privatization has been picking up momentum in recent decades, making it a fairly new trend in the area of economic policy. The modern idea of privatization as an economic policy was pursued for the first time by the Federal Republic of Germany in 1957, when the government eventually sold majority stake of Volkswagen to private investors (Filipovic, 2005).The next big move in privatization came in the 1980s with Margaret Thatcher's privatization of Britain Telecom. Following the successful initial public offering in November 1984 privatization became established as a basic economic policy in the UK. A series of increasingly massive share issue privatizations (SIPs) during the last half of the 1980s and early 1990s reduced the role of SOEs in the British economy to essentially nothing after the Tories left office in 1997 (Yergin& Stanislaw, 1998).The phenomenon spread to France when Chirac spearheaded privatization of large banks in France. It also spread to other continents as Japan and Mexico privatized government owned communication companies (Megginson, et al, 1996). Another major contribution to the world-wide process of privatization has been the fall of the communist regime in Eastern Europe and the former Soviet Union. In recent times, countries like China and Cuba, as well as many other developing countries have begun to implement privatization in the hope of stimulating economic growth (Bennet et al, 2007).

In developing countries especially in Africa Privatization became a central element of economic reforms in most countries in Sub-Saharan Africa during the 1990s, putting increasing emphasis on private sector development (Buchs, 2003). The privatization policies, just like other countries in the world were aimed at enhancing the efficiency of resource allocation via increased competition, providing fiscal benefits to cash-strapped governments, attracting more private investment and improving the access of the private sector to finance in general (World Bank,2001). Moreover, privatization and liberalization of public services were the pillars of structural adjustment programmes introduced in 1990s in Africa at the behest international bodies especially world bank and international Monetary Fund (Jerome,2008). As result in the decade 1991-2001 2300 public enterprises in Africa had been privatized (Nelly, 2005).

In Nigeria, prior to the privatization wave, there were about 600 public enterprises (PEs) at the Federal level and about 900 smaller PEs at the state and local levels. Shares of

employment, value added and gross fixed capital formation of public enterprises generally exceeded those of other African countries (Jerome, 2008). Nevertheless, most of the enterprises were poorly conceived and economically inefficient. They accumulated huge financial losses and absorbed a disproportionate share of domestic credit. By 1985, they had become an unsustainable burden on the budget (Jerome, 2005). In 1986 the federal government of Nigeria, the government under the leadership of Ibrahim Babanginda embarked on privatization as an economic policy in public enterprise reforms and Obadan (2000). Consequently, a Technical Committee on Privatization and Commercialization (TCPC) was set up in 1988 to oversee the programme. In the course of its operations, the TCPC privatized 55 enterprises by 1993 (Jerome, 2008).

In Kenya, like in most other developing countries, the period after independence was manifested by deliberate need for the government to participate in production, trade and public service and markedly control the structures of the organizations inherited from the colonial regime (Miundi, 1992). As result by onset of liberalization and privatization in 1990s there were over 240 public enterprises for production as well as render services locally and internationally (Otieno, 1998). However, following poor performance of public enterprises it was no longer tenable to for the government to continue taking the burden managing the enterprises. Attempts made to improve the performance of the public enterprises; these included negotiations between SOE and government in a bid to clarify the former's objectives and set targets, introduction of competition and better accountability to customers, provision of incentives in form of higher salaries and benefits to employees based on performance and increased training of employees proves futile (Koimet, 2006). Bhatia (2006) points out that by 1990 SOEs in Kenya led to outflow from central government to parastatal equivalent to 1% of the GDP in 1991. Further between 1990-92, the direct subsidies to parastatals amounted to Ksh 7.2 billion and as additional indirect subsidies amounted to Ksh. 14.2 billion by 1994 5.5% of GDP was taken by government parastatals. In order to reverse the situation coupled with pressures from Bretton institutions the government embarked on privatization venture. To-date the government has divested over 140 SOEs using different approaches among the most popular being; public offering, pre-emptive rights and competitive binding and direct sales.

### **Methods of Privatization**

Governments in transition from state control of enterprises to private holdings faced an unprecedented problem in implementing their privatization programmes: how to transfer into private hands the ownership of most of the economy in an environment with little or no domestic private savings and a limited capacity to attract or absorb foreign direct investment (World Bank,

1996). Nevertheless, the governments have used various methods to privatize organizations. Questions are raised on what methods to employ in divesting SOEs. Privatization will be more successful, less stressful and less apt to backfire, if the method which is selected, as well as the aims and objectives are customized to fit the circumstances of what is being privatized, place in which it is happening and the particular point in time (Bennet et al, 2007). Moreover, Mario (2008) argues that the choice of the method and the way it is carried out can have the same or greater importance than the very option to privatize in the first place. Indeed the method selected can have important and unintended consequences. In practice, each country used a variety of privatization methods, with the choice of method depending on factors such as the political slant of the government, international debt, the levels of economic and institutional development, and enterprise specific factors

The importance of selecting the right method is that, it is irreversible (Rogozinski, 2012). The methods take two forms which may have varied advantages and disadvantages; the first form is direct sales or assets of state owned enterprises to an individual, an existing corporation, or a group of Investors. In this method of sale usually to the highest bidder is found typically to have led to outsider ownership, in the cases of Hungary and Estonia with a high proportion of foreign participation (Bennet et al, 2004). The second is share issue privatizations, where some or a government's entire equity stake in a SOE is sold to investors through a public share offering. A sale may result in the government remaining the majority shareholder or becoming a minority shareholder. The method is associated with broader ownership as well retention of some rights to the original owners as in Russia and in most developing countries, (Bennet et al, 2007) It can be done for instance through competitive sale, pre-emptive rights, public floatation a sale of shares by private placement (Makokha, 2013).

In Africa by the end of 1996 Between the World Bank had registered 16 methods of privatization in Africa by end 1996, with , according to data available at that time, 32 per cent (875 transactions ) involving the sale of share by competitive tender. Other methods used, in order of frequency measured by the number of transactions, are: liquidation (514), competitive sales of assets (404), direct sales of shares (108), leases and concessions (92), pre-emption rights sales (76), public flotation (71), management contracts (47), management or employee buyout (44), restitution (39), transfers to trustee (26) and transfer without remuneration (5), joint ventures (27), direct sales of assets (27), debt/equity swaps (7), equity dilution (2), open auction (2), method non specified (323) (World Bank, 1999). In Nigeria the number of organizations privatized using various methods by the time privatization was truncated in 1993 include; public offer of equity shares for sale (35), private placement of equity shares (7) sale of assets (26), management buyout and deferred public offer ( 4) (Jerome, 2008).

In Kenya, methods that have been used to privatize organization include; public offering of shares on Nairobi Securities exchange, sale of shares by private placement, negotiated sales in so far as pre-emption right exist and have been exercised, sale of enterprises assets (including liquidation, employee/management buy-out, leasing or reward of management contract and new private investment in the enterprise (Odoni, 2008). However, for firms that have been listed in Nairobi stock exchange, most have been privatized mainly through public share floatation pre-emptive rights and competitive sale (Nairobi Stock Exchange Report, 2012).

### ***Public Share Floatation***

In this method, shares are offered to the general public through the stock market. Sometimes this is referred to as “initial public offering” or simply as “public offering”. Such an offer increases the likelihood that enterprises will be fairly priced and so can help de-politicize privatization. “If effected through the local stock markets, it allows for local investor participation, diversifying ownership of the economy’s resources and contributing to the credibility of privatization” (World Bank 2000a; Holzmann& World Bank, 2009; However, going public increases business costs, requires disclosure of operating data and reduces the control of the original owners (Brauch,2003). In Kenya, 17 firms have been privatized through public offering eight of which are listed in NSE such as KCB, Housing finance and Mumias Sugar and Bamburi Cement. (NSE, 2012)

### ***Competitive Bidding***

This involves privatization of firms by selling to the highest bidder. It includes sale by any method in which ownership in the bulk of enterprises is transferred on the basis of sale at an agreed(market) price to people not previously associated with the firms, including foreigners (Bennet et al,2007). In this method, shares owned directly or indirectly by the government are offered for sale to private investors through competitive means. This usually involves open public tender. Occasionally it can involve pre-qualification of potential investors (World Bank 2000). The method has been associated with privatization by sale to the highest bidder and has unambiguously been the preferred method in developed economies (Megginson, 2004). In Kenya it has been used to privatize firms 17 firms such as Kibos Sugar, Homabay Hotel, and Golf Hotel. Crown Berga acquired African diatomite listed in NSE (GoK, 2005).

### ***Sale by Pre-emptive Rights***

Preemptive rights are contractual restrictions on the rights of transmission of a company’s securities. These rights give insiders a right of first refusal—they can preempt sale by exercising



their rights (Gunderson, 2013). Pre-emptive rights may be general, included in a country's civil code (as in Senegal), or specific, inserted in a company's bylaws or other founding documents or agreements (as in Argentina, Brazil, or Morocco) (Oliver & Nellis, 1998). Pre-emptive rights are commonly used by founding partners to diversify high risk investments while retaining control over who their cofounders are. Pre-emptive rights have been used by governments in privatization in which original owners are favored. In many governments – including those of Argentina, France, the Islamic Republic of Iran, Mexico, and Russia—have granted pre-emptive rights to employees of privatized state-owned enterprises on all or part of the shares for sale, some-times with large discounts on price (Guislain, 1997). In France, Morocco, and the United Kingdom large privatizations by share issue have been structured with preemptive rights to favor retail over institutional investors (Olivier & Nellis, 1998). The government may also retain some shares referred to as golden or Special shares in order to have a say in key decisions involving the organizations. In Kenya pre-emptive rights have been use in the divesture of 96 firms such as Eveready and Firestone which are listed in NSE (GoK, 2005)

### **Privatization and Firm Performance**

The rationale behind privatization is multiple; to enhance efficiency utilization of resources, increase competitiveness, raise profits, promote capitalism, restraining power of trade unions and meeting the conditions of donors in due consideration that private sector outperforms public sector (Ramamurti, 1991). Against this background, performance of organization after privatization has come under scrutiny often with mixed findings. However, one of the variables that can predict performance of organizations- method of privatization- has often escaped scholarly attention. The choice of the method and the way it is carried out can have the same or greater importance than the very option to privatize in the first place. Indeed the method selected can have important and unintended consequences (Mario, 2008). Benefits associated with different forms of private participation in infrastructure comprise broader range of private participation options. The nature and the extent of these benefits vary according to the form of private participation involved. Public offerings are politically appealing, since they result in broader share distribution and reduce criticism that the sale was rigged or that the government is transferring assets to a few, wealthy elite. Despite these advantages direct sales accounted for vast majority of privatizations in the developing countries from 1988 to 1993 (Sader, 2014). Direct sales are attractive for several reasons. For small to medium firms, direct sale may be simpler and less costly than public offering. Direct sale is also appropriate for troubled large firms that could benefit from a strong owner and it would be risky for government to offer these stocks in the stock market. Direct sale reflects perhaps the low value of assets,

underdevelopment of local capital markets and widespread use of Privatization by liquidating the firm and then selling the assets.

In contrast transition economies, with their need to privatize many large firms, concern about equity and their desire to develop their financial system, tend to favour public offerings (Bennet et al, 2017). Joint ventures are often employed where the SOEs to be privatized are large, highly diversified and in financial or organizational difficulties. The outside investor can obtain control over particular components of the enterprise without being required to take on the company in its entirety. Concessions and lease agreements are more appropriate techniques when the government does not want a particular natural resource or infrastructure to be transferred completely to private owners. (Olivier & Nelly, 1998). Management/employee buy-out technique is the easiest to employ in divestiture. The government does not have to engage in negotiations about future employment in the organization, leaving those decisions to employers and managers which may or may not involve the transfer of personnel (Bennet et al, 2004). Although privatization in Kenya have taken various forms most of research focused on performance of organization after divestiture without due consideration of privatization method. Yet, different privatization methods may have for instance implications on the speed to implement privatization programme and ability to match management abilities with of the new owners to the objectives of the organization, hence the present study.

### **Statement of the Problem**

In Kenya there had been research attempts to examine the effects of firm performance on privatization. Most of the findings indicate that there have been general improvements in performance organization. However, studies show variance and inconsistency in performance in parameters such as profits, solvency, productivity and capital employed. According to a study by Odondi (2008) on performance of newly privatized firms, the findings reported better performance than before privatization. Similarly, Ochieng and Ahmed (2014) in a case study of Kenya Airways performance in post divesture period reported increased financial efficiency and profits as well as liquidity and debt ratios. However, Cook and Uchida, (2003) in an empirical analysis suggest that there is a robust negative correlation between privatization and economic growth in developing countries. In Support of this Makokha (2013) argues that privatization of firms is not guarantee to all aspects of growth. In her study on the effect of privatization on financial performance of firms listed at the Nairobi securities exchange, she reported that privatization had no effect on net return in addition to negative correlation with leverage ratios. On the other had she reported improved liquidity ratios after privatization



Despite the mixed findings there were hardly any attempts to examine why there is variation in performance. The influence of the method of privatization has escaped scholarly attention. Privatization methods such as public floatation, competitive sale and sale by pre-emptive rights have been used in divestiture of public enterprises. Bennett et al (2007) explain that, privatization methods have strengths and weaknesses, blend well in varied economic environment and match in different entrepreneurial engagements. Moreover, the methods may have implications for instance on ability of management to pursue organization goals as well as the speed at which privatization programme is expedited. Considering this potential, this study sought to find out whether the method or technique used in privatizing public enterprises does have any effect on its post divestiture performance in terms of profits, capital, productivity and solvency.

### **Purpose of the Study**

The purpose of this study was to find out the relationship between the technique or method used to privatize a given PE and the enterprise' post divestiture performance in terms of profits, productivity, capital and solvency.

This study aimed:

- i. To assess the effect of competitive sale of shares on financial performance.
- ii. To establish effects of pre-emptive rights sale of shares on financial performance.
- iii. To investigate the effect of public floatation sale of shares on financial performance.

### **Research Questions**

- i. Does competitive sale of shares affect a firm's financial performance?
- ii. Does pre-emptive rights sale of shares affect a firm's financial performance?
- iii. Does public floatation sale of shares affect a firm's financial performance?

### **Significance of the Study**

The results of this study may be used to:

- i. Encourage more sales of SOEs and give the government the badly needed impetus to hasten the pace of the Privatization process.
- ii. Make recommendations that can be adopted by those in authority for use in the Privatization process. For instance the most rewarding techniques or method to use in the Privatization of the remaining SOEs.
- iii. Lobby for public support and participation in the Privatization programme by the government, as they will ensure the public that Privatization does lead to more benefits for the country.

- iv. Encourage more research into Privatization by other academicians since it will act as "food for thought".

### **Scope of the Study**

This research work therefore seeks to review certain aspects of the design and implementation of the ongoing exercise. In doing this the researcher shall examine the effects of various methods of privatization on the financial performance of firms listed at the NSE. The study will only look at firms privatized through public floatation, pre-emptive rights and competitive bidding only.

### **Limitation of the Study**

There are various limitations of the study as stated below;

- i. A Sample of six companies may limit generalization of findings.
- ii. The source of the researcher's data is secondary data and it may not be readily available in the company websites which means the researcher may have to go to the companies and the information may not be availed.
- iii. The researcher may require some data from the Nairobi stock exchange and it is usually provided at a fee thus it may make the cost to increase.
- iv. The effects of privatization methods may be different in developed and developing countries hence it may be hard to generalize the study.

## **LITERATURE REVIEW**

### **Review of Theories on Privatization**

Relevant theories on the privatization concept that informed this study are productive efficiency, agency theory and benefit cost theory.

#### ***Production Efficiency Theory***

Production efficiency support that privatization increases efficiency by decreasing cost of production through operation rationalization. Megginson and Netter (2001) note that privately owned firms are more efficient, more profitable and financially healthier. Production efficiency theorists Rowly and Yarrow (1981) and De allesi (1981) argue that private production induces more managerial effort to avoid bankruptcy which is not a major concern in public ownership. Moreover, De allesi explain that public ownership limits capitalization of future consequences into current transfer of prices and reduces owner's inceptives to monitor managerial behavior. Nonetheless, different privatization methods create various type of ownership which may predict

the extent of reforms and consequent production efficiency. For instance privatization by preemptive rights retains management role to the original owners which may limit rationalization of operations (Megginson & Netter, 2001). On the other hand sale through public floatation particularly of minority shares retains government control which can limit strategic interventions (Nellis, 2005). Production efficiency may not be a guarantee after privatization without due consideration of privatization method.

### ***Agency Theory***

This is a supposition that explains the relationship between principals and agents in business. Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives) (McColgan, 2001). The two problems that agency theory addresses are: problems that arise when the desires or goals of the principal and agent are in conflict and the problems that arise when the principal and agent have different attitudes towards risk (Brennan, 1995). The theory assumes that in public enterprises the managers act at the behest of political dispensation which limits managerial influence in pursuing organizational goals. Managers bear the entire cost of failing to pursue organization goals, but capture only a fraction of the intended goals benefits) (McColgan, 2001). According to this theory privatization checks this conflict as it confers operational decisions to managers to effectively pursue organizational goals. The theory assumes that privatization the gap between principal and agent is virtually sealed. However, the theory ignores the point privatization may create another level of potential conflict especially depending on the privatization. For instances conflict may continue when the government retains shareholding in after privatization (Netter, 2005).

### ***Benefit and Cost Theory***

Privatization theorists Roland (2008) and Filipovic, (2005) argue that privatization will increase market share because privately owned enterprises have better incentives to produce goods and services in whatever quality and quantity to satisfy consumers would desire more. However in this case the companies which tend to succeed are the ones that will be able to meet consumer's needs (market demand and supply forces). This theory then believes that with privatization, the consumers will dictate what should be produced rather than the government choosing. The methods of privatization may become critical as they will determine the level of control. For instance, in sale of firms by competitive bidding, the new main target is to make profits in which competitiveness of goods and services is a strategic requirement (Bennet et al

2007). Otherwise retention of major shareholding by the government in cases public floatation of minority shares may compromise competitiveness (Nellis,2005).

### **Empirical Literature on Privatization Methods and Firm financial Performance**

It is widely acknowledged that privately-owned firms are more productive than their state-owned counterparts. As Megginson and Netter (2001) note, privately-owned firms are more efficient, more profitable, and financially healthier and make more capital investment. However, not all aspects of growth for instance in capital ratios, liquidity solvency and productivity are recorded after privatization. There are Moreover, studies on impact of privatization on firm performance have often recorded mixed findings especially in developing countries. One of the varieties of factors that have been suggested to cause growth in different ways is privatization methods. Bennet et al (2007) explains that; for any given method of privatization both the efficiency with which potential buyers of heterogeneous entrepreneurial and managerial ability are matched to firms and the objectives that the new owners then pursue. On similar vein, they argue that differences in the speed with which a different method of privatization can be implemented may lead to different growth outcomes because the breaking of the strong links between the state and enterprise management may require a sudden and dramatic shift. Furthermore, different privatization methods may have different implications for the speed with which ownership structures may evolve and become concentrated, or with which initial owners are likely to become entrenched (Shleifer&Vishny, 1998).

Bennet et al (2007) compared growth of countries that adopted various methods of privatization between 1990 and 2003. The study controlled for country and time-fixed effects, as well as potential endogeneity; factor inputs, human capital and institutional development. There was no acceleration in post privatization in countries that used privatization by sale or by management buy outs. However growth was faster in countries that use public floatation method. However, the study focused on economic growth at macro level in a group of countries which can be under the influence of many other variables whose control may be limited. There was need to examine the effect of privatization methods at micro level using a group of companies privatized through various methods.

Gupta (2005), analyzed performance of British Telecom was privatized which was privatized via public floatation in 1984 when 50% of company shares were sold for £3.7 billion. The post divestiture results indicated that productivity increased, price effects were either negative or small and positive. Capital formation improved. British Airways was divested in 1987 through public share floatation. Post divestiture results were impressive since productivity improved fixed capital grew, prices decreased and profits increased. National Freight was

divested in 1982 via employee buyout and had surprising success. Real gross fixed capital formation increased output increased and employment shrunk for some time.

Gupta (2005) examined financial performance of British telecom and British airways that were sold through public offering and also national freight privatized through employee buyout. According to the findings the firms sold by public floatation recorded impressive productivity, increased profits, increased capital. The firm privatized through buy out also increased in capitation but employment shrunk. The present study is broader; it compared three privatization methods and their effect of financial performance – Profit from share earnings, liquidity, solvency and productivity

In another study of Bangladesh Textile Mills by Megginson and Jeffry (2001), it was found out that most of the state owned mills were sold through competitive sale to their previous owners. By and large the private mills outperformed the public mills. Supporting, this Bennet et al (2007) argue that use of competitive sale is likely to yield to new owners with novel ideas and ability to run the organization. Moreover, the new owners may have the requisite capital to critical to performance of organizations. However, methods of privatization may have different implications on the multifaceted financial indicators. To bridge this gap this study examined the relationship between methods of privatization and financial indicators; liquidity, productivity, solvency and profits.

In Africa privatization has been associated with better performance of firms but drawbacks have also been cited. However, research has shown that privatization may not be a guarantee to growth of all aspects of financial performance. There was therefore to examine the extent to which method of privatization considering African countries are transitional economics performance after privatization. Boubakri& Cosset (1999) carried out a first analysis of privatized firms' performance in Africa, but their sample is limited to 16 enterprises spread out between Ghana, Morocco, Nigeria, Senegal and Tunisia. Their results suggest a weak improvement in the profitability of newly privatized firms, and indicate that efficiency as well as output measured by real sales decreased slightly, while capital expenditure rose significantly in the post-privatization period. However, the performance of organizations was not linked to the method of divestiture which have been argued to predict performance (Bennet et al,2007)

In Nigeria firms sold by public floatation such National Oil, African Petroleum, and AICO have reported robust profits since privatization. For a share price at privatization of \$190 in 1989, African Petroleum registered a lowest offer of \$586 and a highest offer of \$1870 in October 1995. However, no comparison was made with firms privatized through other means method to examine the method that best predict performance. This study compared three methods of privatization in relation to their effect on firm performance. Similarly, Makalou (1999)

analyzed the performance of Ghana Telcom after the government sold 30% stake in Ghana Telcom by competitive sale to a Malaysian Company. In 1997 alone, the number of connected fixed lines increased from 90,000 to 120,000, and Ghana Telecom Ltd revenue increased from around \$55 million to \$75 million. The company plans to provide telephone access to each village in the country, with 225,000 lines in three years, instead of five allowed in the license. However, the growth in terms of financial performance was only measured in terms of performance which can limit generalization of findings. This study focused on four dimensions of financial performance to validate findings.

Craig (1999) examined state enterprise and privatization in Zambia 1968 –1998 between 1992 and 1998. By 1998, 107 firms had been privatized. Small and medium Firms were privatized mainly through private sales; large firms were privately negotiated with public floatation of minority holding while some were privatized by management buyout. Liquidation was also done across small, medium and large firms. However, performance of the firms showed mixed fortunes. Profits increased marginally in many firms by efficiency improved largely due to staff rationalization. However, the achievements were not based on method of privatization. Further, measuring performance using only two financial indicators may limit generalization of findings.

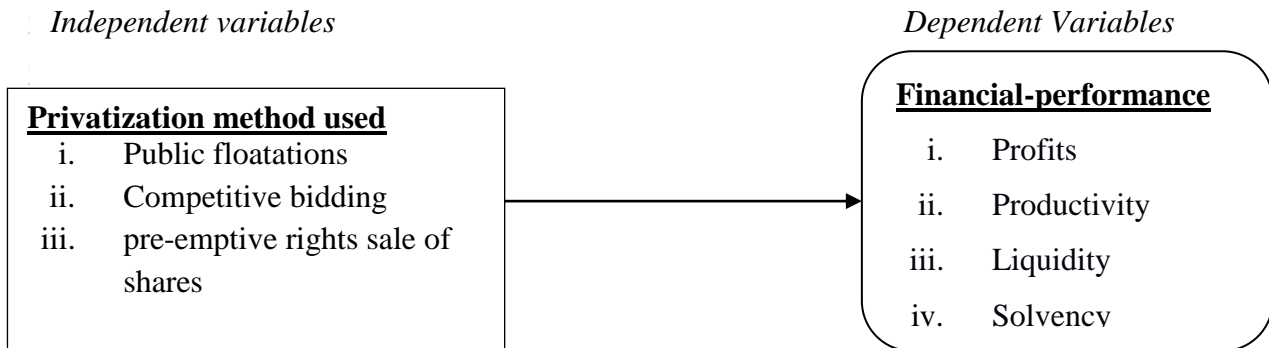
In Kenya although there is general belief that private firms perform better government owned enterprises research indicates mixed findings, A research by Thuku on “ownership structure and bank financial performance in Kenya” found out that there was no significant difference in performance between the banks owned by the government and the non-government owned banks. Thus putting the public enterprises may not be guarantee to better financial performance. Most pre and post privatization studies in Kenya have indicated mixed fortunes in financial operations. Waweru et al (2013) examined performance of 9 firms listed in Nairobi after privatization. Six of the companies did show improvement in profit margin. Only three showed marginal improvement. Over all there was no significant change profit margin. The findings are consistent with Cook and Kirkpatrick (1995) that privatization is not a guarantee to financial performance. However, no attempt was made to examine whether privatization method has an effect on the performance. Moreover, the study was limited to one indicator of financial performance. This study is broader; it examines performance of privatized organizations based on method of privatization using multiple performance indicators.

Makokha (2013) analyzed performance of six privatized companies in Nairobi stock Exchange. The findings also indicated mixed findings. In two of the company, profits declined, liquidity ratio declined, leverage ratios fluctuated but activity increased, there was general increase in profits and efficiency. It is only one company that registered improvement in all



aspects of financial indicators used in the study; profits, liquidity, leverage activity. However, no attempt was made to link financial performance with the method of privatization.

Figure 1: Conceptual Framework



### Critique of Literature

Literature available is replete with perceived benefits of privatization. However, from literature available especially in developing countries privatization is not the panacea for all financial woes of public enterprises. Although literature available indicate that most of privatized firms record better performance only very few organization recorded consistent growth in all aspects of financial performance. Despite, the few attempts have been made to find out why different organizations record varying performance. Particularly, the link between the methods used in privatization had not been adequately explored. Yet, method of privatization affect the speed at which privatization process is expedited, amount of capital injected and ability of owners to match management challenges (Bennet el al,2007). The study sought to bridge this gap.

## RESEARCH METHODOLOGY

### Research Design

The researcher adopted *expost facto* survey design. This design is suitable because it examines events that have already taken place without manipulation of variables (Oso & Onen, 2002). The method provided a framework for examining the current conditions, trends and status of events. It facilitates the description of population characteristic of a given phenomenon in a natural condition, enables exploration of differences and comparison between categories of the population (Kothari, 2004). Additionally, results from surveys may be generalized to a large population from which the sample is drawn and also explore how characteristic predict one from the other (Kerlinger, 2005).

## Target population

The target population will be 11 firms; eight, one and two privatized by public floatation, competitive bidding and pre-emptive rights respectively listed in NSE by 2005 (GoK, 2005)

## Sampling Design

The population was stratified in relation to privatization methods; eight, one and two privatized by public floatation, competitive bidding and pre-emptive rights respectively. Three companies from public floatation strata were selected through simple random while two and one company from pre-emptive strata was purposively selected. Stratification and simple random sampling ensures equal representation while purposive sampling is suitable when subjects are few (Mugenda & Mugenda, 2003).

Table 1: The Population and the Sample of the Firms

Method of Privatization	Population	Sample
Public Floatation,	8	3
Pre-emptive rights	2	2
Competitive sale	1	1
<b>Total</b>	<b>11</b>	<b>6</b>

## Data Collection Instruments

Document analysis was used to collect secondary data from annual reports and internet. The data was for five years before and after privatization. The data collected was on profits based on returns on equity, liquidity, solvency and productivity.

## Data Analysis Approach

The data collected was analyzed by use of Microsoft excel and SPSS version 20. Raw data was put into excel spreadsheets file after which formulas were applied to calculate the ratios for all the companies that were studied in regard to financial performance; profits, liquidity, solvency and productivity. Descriptive statistics were used to present means and trends in financial performance. Paired t test was used to examine whether mean differences in financial performance was significant. The variables of the study to measure performance interms of ratio are profit, liquidity, solvency and productivity. The methods have been uses by Makokha (2013), The data analysis methods and the variables under study have been used by Makokha (2013), Waweru et al (2013) and Ochieng and Ahmmed (2014). The ratios were calculated as follows

**Profit**

Profit is the quality of the gain or benefit. Return on equity Return, return on sales and return on assets are the indicators used to measure profitability (Megginson & Netter, 2005). Rate of Return on Equity (RoE) is the coefficient of net income to permanent business assets and measures the earning power of the assets employed. It is calculated as follows as a ratio

$$\text{RoE} = \frac{\text{net profit after tax}}{\text{average equity}}$$

**Productivity**

This variable was measured by use of sales divided by total assets

$$\text{Productivity} = \frac{\text{sales}}{\text{total assets}}$$

Productivity is a measure of efficiency and it is expected that privatization alters the practice of corporate finance in economies that experienced large privatizations, and impacted the returns earned by individual investors who purchased stock in a privatized company (Megginson, 2010).

**Solvency**

Solvency refers to creditworthiness of a company. The solvency ratio measures the size of a company's after-tax income; excluding non-cash depreciation expenses, as compared to the firm's total debt obligations. It provides a measurement of how likely a company will be to continue meeting its debt obligations. Note that the lower a company's solvency ratio, the greater the probability that the company will default on its debt obligations (Pinheiro, 1996). It is measured in terms in a ratio that compares total debts with total assets

$$\text{Solvent Ratio} = \frac{\text{Short term debts} + \text{long term debts}}{\text{Total assets}}$$

**Liquidity**

Liquidity is the ability of firm to meet financial obligations as they come due in the short term, without disrupting the normal operations of the business. Liquidity is measured by current ratio, a measure of a firm's short-term solvency. This is measured by the ratios of total debt to total assets and debt to equity. This compares total current assets to total liabilities. It is given by;

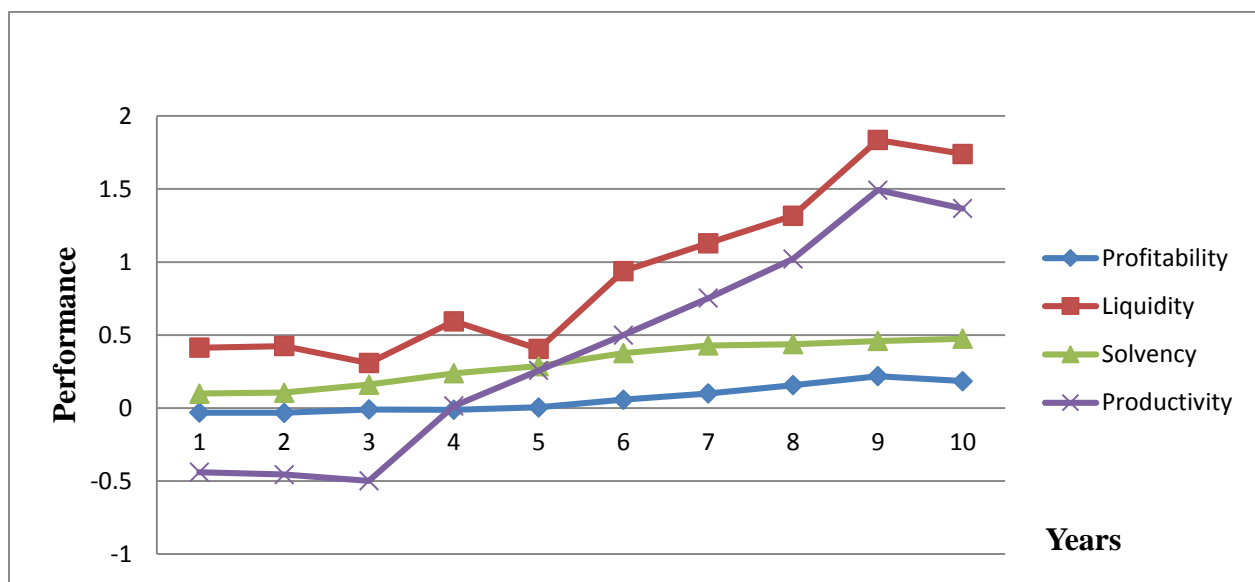
$$\text{current ratio} = \frac{\text{total current assets}}{\text{total current liabilities}}$$

## FINDINGS AND DISCUSSION

### Privatization by Competitive Sale

The first objective sought to examine the effect of competitive sale on financial performance. Financial performance was examined by calculating means for each variable five years before and after privatization for the company that was sold by competitive bidding. Paired t test was used to examine whether the mean differences are significant. Means are represented in Appendix one while trends of performance are presented in line graphs in figure 2. Paired t- test analysis is in Table 2.

Figure 2. Trends in Performance of the Firm Sold by Competitive Bidding



The line graphs demonstrate that liquidity and profitability rose sharply after privatization while solvency and productivity recorded modest growth. Further analysis was done to examine whether, mean differences are significant (Table 2).

The results show that the firm sold by competitive bidding posted significant performance in profits ( $p < 0.05$ ), liquidity ( $p < 0.05$ ) solvency ( $p < 0.05$ ) and productivity ( $p < 0.05$ ). The findings concur with observations of Bennet et al (2007) that sale competitive bidding confers management right to control firms operations which increases production efficiency and consequent profits. Moreover, in competitive bidding money from the sale is used to clear debts thus the owners usually take control of the firm when debts have been settled (Megginson & Netter, 2001)

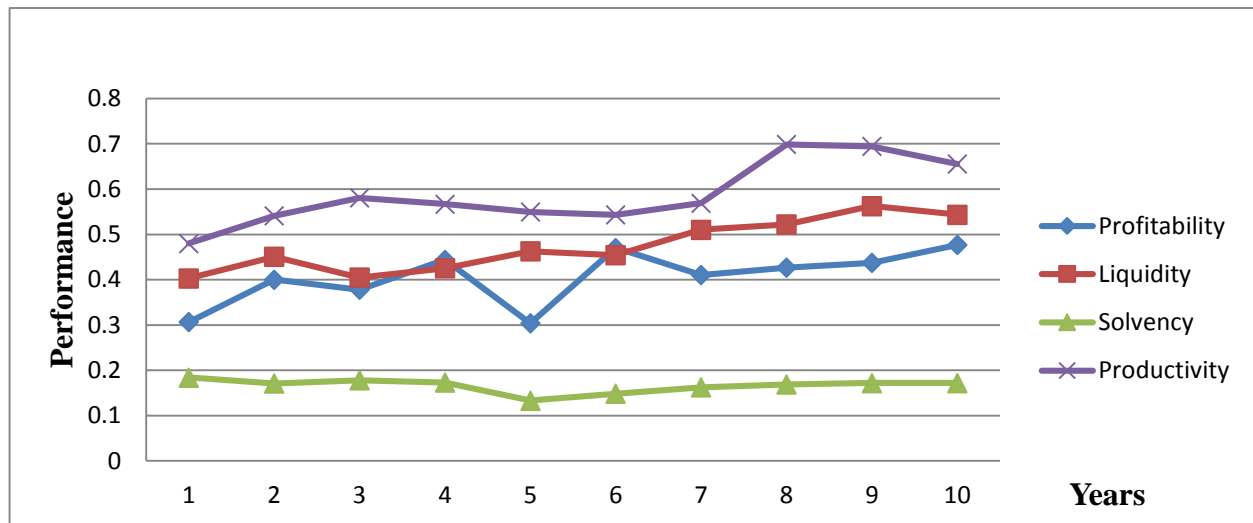
Table 2: Paired Sample t- test on the Firms Sold by Competitive Bidding

Pre - Post privatization	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Profitability	-.159620	.0526457	.0235439	-.2249883	-.0942517	-6.780	4	.002
Liquidity	-.963700	.3457479	.1546231	-1.3930027	-.5343973	-6.233	4	.003
Solvency	-.257520	.0535630	.0239541	-.3240273	-.1910127	-10.751	4	.000
Productivity	-1.25146	.2468399	.1103902	-1.5579522	-.9449678	-11.337	4	.000

### Privatization by Public Floatation

The second objective sought to examine the effect of public floatation on financial performance. Financial performance was examined by calculating each variable; profit, liquidity, solvency and productivity, five years before and after privatization on each of the three companies. The results are represented in appendix two, three and four and in line graphs Figure 3, 4 & 5. Paired t test was used to examine whether the mean differences are significant in the financial performance (Table, 3, 4 & 5).

Figure 3: Performance of Firm one Sold by Public Floatation



The findings show that productivity increased at the sixth year and stagnated at the 8<sup>th</sup> year. Liquidity increased after the sixth year, profits dropped after the 5<sup>th</sup> year and increased slightly by 10<sup>th</sup> year. Productivity started increasing after the 7<sup>th</sup> year and fell slightly by tenth year.

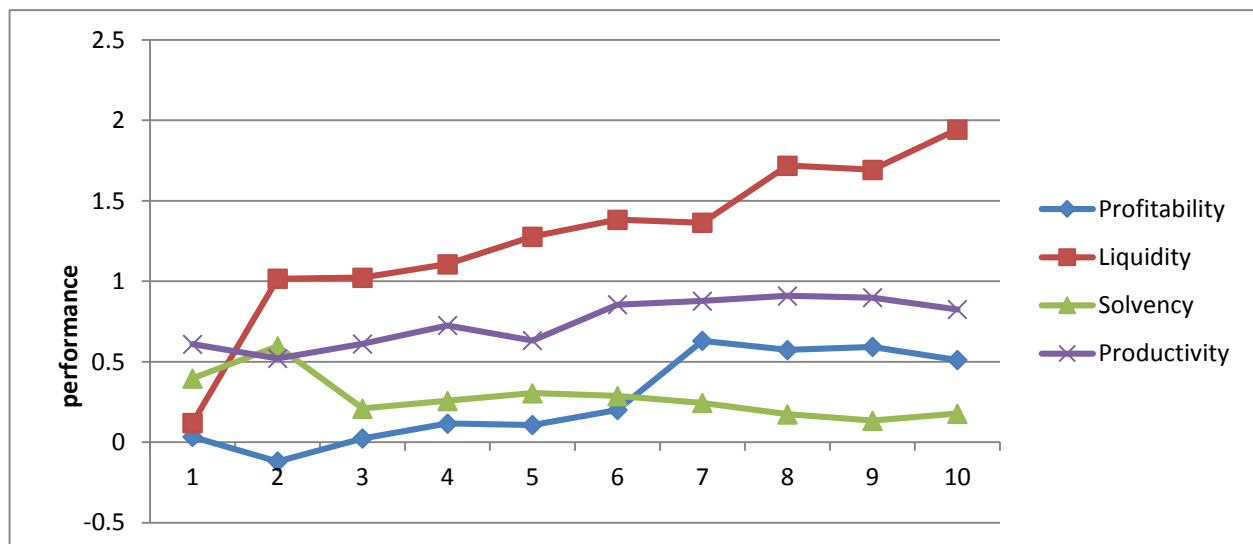
Solvency hardly increased after privatization. Further analysis was done using paired t-test (Table 3). The results show that firm performance was significant in liquidity ( $p < 0.05$ ) and solvency ( $p < 0.05$ ). However, for productivity ( $p > 0.05$ ) and profitability ( $p > 0.05$ ) mean differences were insignificant.

Table 3: Paired Sample t- test for Company one Sold by Public Floatation

Pre - Post privatization	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Profitability	-.0340800	.2752603	.1231002	-.3758608	.3077008	-.277	4	.796
Liquidity	-.3747400	.2067804	.0924750	-.6314917	-.1179883	-4.052	4	.015
Solvency	-.4407600	.1140957	.0510251	-.5824285	-.2990915	-8.638	4	.001
Productivity	-.0205880	.0262066	.0117200	-.0531278	.0119518	-1.757	4	.154

In the second company sold by public floatation, the findings were presented appendix 3, table 4 and figure 4.

Figure 4: Performance of Firm 2 Sold by Public floatation



The findings show that after privatization liquidity increased almost yearly up to the tenth year. Profitability increased after the 5<sup>th</sup> year up to sixth year then it fell slightly up the tenth year. Productivity increased after 6<sup>th</sup> year and remained almost at the same level for the rest of the



years. Solvency fell from the 6<sup>th</sup> year. Further analysis was done using paired t-test to examine mean differences.

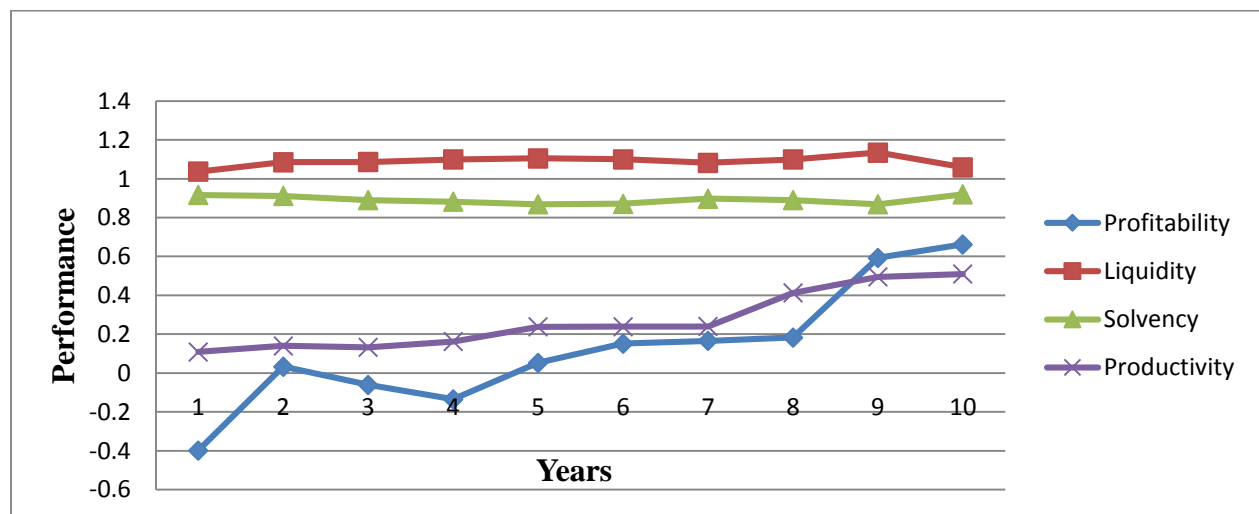
Table 4: Paired Samples Sample test for Company 2 Sold by Public Floatation

Pre - Post privatization	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Profitability	-.4453660	.1770794	.0791923	-.6652392	-.2254928	-5.624	4	.005
Liquidity	-.7119200	.3373776	.1508798	-1.130830	-.2930104	-4.718	4	.009
Solvency	.1494000	.1193441	.0533723	.0012147	.2975853	2.799	4	.059
Productivity	-.2535200	.0759011	.0339440	-.3477637	-.1592763	-7.469	4	.002

From the findings, firm performance was significant in profitability ( $p < 0.05$ ), liquidity ( $p > 0.05$ ) and productivity ( $p < 0.05$ ) but solvency ( $p < 0.059$ ) was insignificant. Perhaps capital injected and public expectation catalyzed performance in the company. According to Bennet (2007) public floatation are keen to improve performance due to mass expectation and scrutiny.

In the third company sold by public floatation, the findings were presented in appendix 4, table 5 and figure 5. Liquidity and productivity which were high before privatization remained almost at the same level. However, productivity recorded increase from the year 7 and while profitability rose from the 8<sup>th</sup> year.

Figure 5: Performance of Firm 3 Sold by Public Floatation



Paired sample t-test was used to examine differences in means (Table 5).

Table 5: Paired Samples Test for the third Firm Sold by Public Floatation

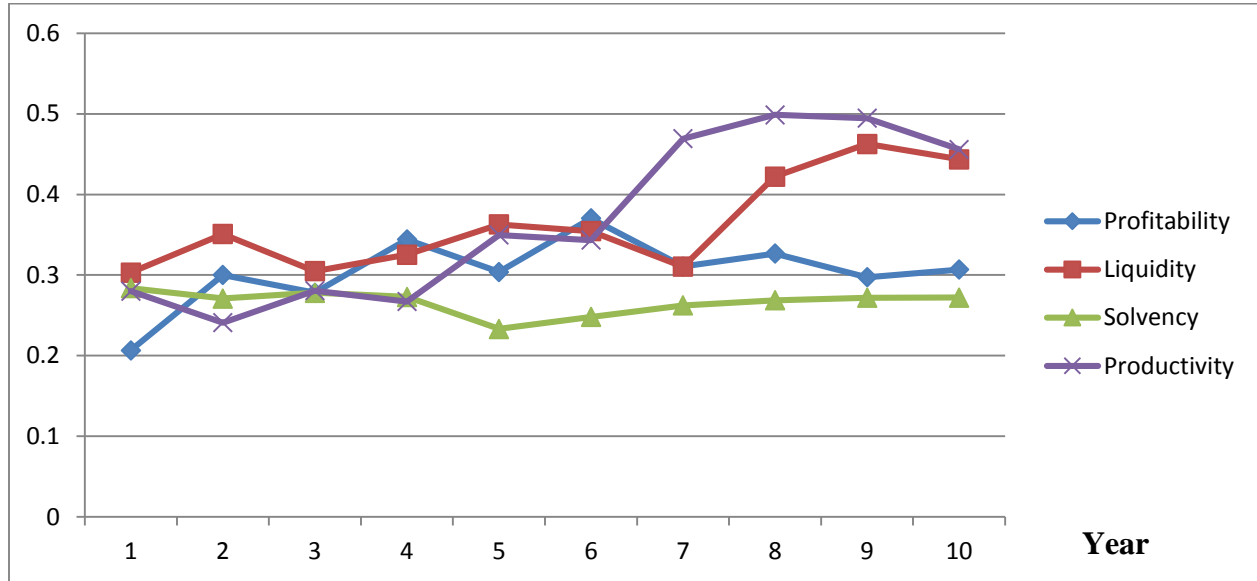
Pre - Post privatization	Paired Differences					t	df	Sig. (2- tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Profitability	-.452740	.2532577	.1132603	-.7672010	-.1382790	-3.997	4	.016
Liquidity	-.012560	.0409535	.0183150	-.0634105	.0382905	-.686	4	.531
Solvency	.004180	.0351393	.0157148	-.0394512	.0478112	.266	4	.803
Productivity	-.222900	.1019488	.0455929	-.3494861	-.0963139	-4.889	4	.008

The findings show that mean differences are significant in profits ( $p < .05$ ) and productivity ( $p < .05$ ) but solvency ( $p > .05$ ) and liquidity ( $p > .05$ ) do not reflect significant differences. Thus, privatization improved the performance of the firm especially on profits and productivity that were low before privatization. Privatization may have increased accountability. Bennet et al (2004) urge that public floatation is on one hand pressed to perform due to their massive support and political connection to rationalize the political and economic strategy of privatization. On the other hand they have to grapple with conflicts of government interest versus organization objectives. Indeed none of the three companies recorded improved performance in the four aspects. Nellis (2005) points out public floatation's though popular they face the challenges of government interference. The author appoints that in Gambia, benefits of privatization have often been limited by government interference especially when government floats minority shares.

### Privatization by Pre-emptive Rights

The third objective sought to examine the effect of selling firms by pre-emptive rights. Performance of firms on profit, liquidity, solvency and productivity was examined by means and paired t-test, five years before and five years after privatization for two companies. Performance of the first firm is reflected in appendix 5, table 6 and figure 6

Figure 6: Firm Performance of the First Company Sold by Pre-emptive Rights



Trends in figure 6 indicate that after privatization profitability slightly increased after the 5<sup>th</sup> year but fell from the 6<sup>th</sup> year. Liquidity fell between the fifth year and seventh year but rose from the 7<sup>th</sup> year to ninth year then it fell by 10<sup>th</sup> year. After privatization solvency recorded modest increase Productivity rose between 6<sup>th</sup> and eight year and later fell between 9<sup>th</sup> -10<sup>th</sup> year. Further, analysis was done using paired t test to examine differences in Table 6.

Table 6: Paired t-test for first Firm Sold by Pre-emptive Rights

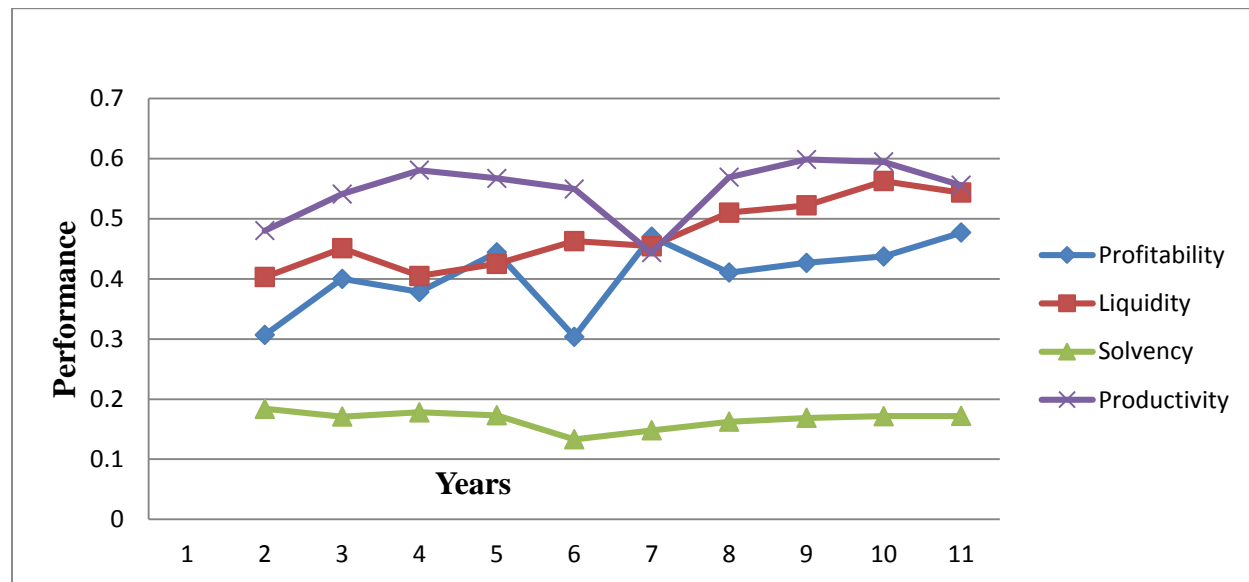
Pre - Post privatization	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Profitability	-.0358000	.0791509	.0353974	-.1340788	.0624788	-1.011	4	.369
Liquidity	-.0692400	.0697345	.0311862	-.1558268	.0173468	-2.220	4	.091
Solvency	.0031600	.0269232	.0120404	-.0302696	.0365896	.262	4	.806
Productivity	-.0886200	.1181229	.0528262	-.2352889	.0580489	-1.678	4	.169

The findings indicate that there was no significant change in all aspects as all p values are greater than critical value. This implies privatization had no effect on firm performance. Thus, sale of firms by pre-emptive rights is not a guarantee to making profits. Perhaps retention of original owners may stall prompt structural changes to realize profitability. Bennet et al (2007) argues that method, of privatization determines the speed at which privatization process is

expedited. Sale by pre-emptive rights and consequent initiatives to improve on performance is normally a slow process as owners exercise their rights in propagation or rejection of certain risks (Oliver & Nellis, 1998).

Results for the second company sold by pre-emptive rights is reflected in figure 7, table and appendix 6.

Figure 7: Performance of Firms Sold By Pre-emptive Rights



The results indicate that profitability fell after privatization then rose in 7<sup>th</sup> year and fell by 8<sup>th</sup> year and then recorded a modest increase up to 11<sup>th</sup> year. Liquidity recorded increase after privatization and only fell slightly in the 11<sup>th</sup> year. Solvency fell after privatization and recorded marginal increase up to the tenth year. Productivity fell after privatization and then rose in 7<sup>th</sup> year and reached pick in 8<sup>th</sup> year. It then fell between 10<sup>th</sup> and 11<sup>th</sup> year. Further analysis was done using paired t-test (Table 7).

Table 7: Paired Samples Test for the Second company Sold By Pre-emptive Rights

Pre - Post privatization	Paired Differences					t	df	Sig. (2- tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Profitability	-.0778000	.0851667	.0380877	-.1835484	.0279484	-2.043	4	.111
Liquidity	-.0892400	.0370931	.0165885	-.1352972	-.0431828	-5.380	4	.006
Solvency	.0031600	.0269232	.0120404	-.0302696	.0365896	.2620	4	.806
Productivity	-.00862	.02687	.01202	-.04198	.02474	-.717	4	.513

Findings show that it is only liquidity ( $p= 0.006$ ) that record significant improvement. Otherwise profitability ( $p=111$ ), solvency ( $p=806$ ) and ( $p=.513$ ) did not record significant increase. Perhaps the increase in liquidity is as result of capital injected through the sale of rights. According to Koimet (2006) one of the challenges that were facing government parastatals is lack of operating capital in the face of slow economic growth. However, lack of significant change in other parameters confirms demerits of sale by preemptive rights. The sale by pre-emptive rights retains majority of former owners hence strategic decisions to enhance productivity may be slower. Oliver and Nellis (1998) support that most governments use pre-emptive rights as the means to fulfill political objectives which may not necessarily to improve performance. Thus strategic decision such as staff rationalization critical to productivity and profit making may be at a slow pace.

## CONCLUSION

The first objective was to find out whether there is significant change in performance of SOEs after divestiture; this was to be achieved by comparing pre-divestiture and post divestiture financial performance of firms privatized by competitive sale of shares. The results indicate that firms recorded better performance in profits, liquidity, solvency and productivity. The second objective was to find out whether there is significant change in performance of SOEs privatized via public floatation sale of shares. This was to be achieved by comparing pre-divestiture and post divestiture financial performance of the privatized firms. Among the three studied firms none recorded significant performance in all parameters of growth. The first company recorded significant change in liquidity and solvency but profit making and production efficiency- of the strategic objectives of privatization was not recorded after privatization. The second company recorded growth in profitability, liquidity, and productivity but solvency remained weak. The third company recorded significant growth in liquidity but productivity, profitability and solvency remains elusive. The third objective sought to find out whether there is significant change in performance of SOEs privatized pre-emptive rights. The first company recorded no significant increase in any of the four measures of measures of firm performance. However, the second company registered significant performance in liquidity.

Research findings suggested that it is only the firms that were sold by competitive bidding which recorded significant improvement in all aspects of growth of interest to the researcher; liquidity, profits, productivity and solvency. Out of the three companies sampled only one registered significant performance in three out of four parameters Liquidity was the only improvement in firms sold by pre-emptive rights. There privatization by pre-emptive rights and public floatation have hardly achieved the strategic objectives of privatization

## RECOMMENDATIONS

1. The study recommends sale of public enterprises by competitive bidding as it is associated with financial turnaround which rationalizes privatization efforts.
2. Sale by public floatation especially where the government retains majority shareholding should be discouraged and instead a strategic partner should be identified to turn around the organizations.
3. The study recommends that under pre-emptive rights, minority shares should be left to the insiders so the outsiders can bring the synergy required to turn around the organization.

## SCOPE FOR FURTHER RESEARCH

1. This study was restricted to only three methods or techniques of divestiture. There are other methods that have been used in Privatization such as receiverships and management/employee buyouts, future studies should encompass more methods so as to find out their impact on the firm's financial performance
2. The firms studied are assumed to have performed differently based on only one criteria or technique or method of divestiture, further studies should investigate the role of other factors that come into play such GDP, Market forces, Employee job satisfaction, Directors performance
3. Future researchers should investigate whether the technique employed in divestiture affects the price (value) of the privatized SOE and the revenue raised by the government from its sale.
4. It may be worth investigating to what extent the method of Privatization affects the post divestiture composition of the company's management and how this change in management team impacts on the financial performance of the said companies.

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**APPENDICES**

Appendix 1: Trends in Performance Ratios for the Company Sold by Competitive Bidding

Year	Profitability	Liquidity	Solvency	Productivity
1	-0.0321	0.4131	0.0982	-0.4392
2	-0.0325	0.4245	0.1056	-0.4562
3	-0.0101	0.3079	0.1594	-0.4988
4	-0.0123	0.5937	0.2378	0.0136
5	0.0045	0.4038	0.2873	0.2574
6	0.0573	0.9386	0.3761	0.5002
7	0.1001	1.1289	0.4289	0.7528
8	0.1562	1.3175	0.4376	1.0214
9	0.2179	1.8357	0.4592	1.4932
10	0.1841	1.7408	0.4741	1.3665

Appendix 2: Trends in Performance Ratios for First Company Sold by Public Floatation

Year	Profitability	Liquidity	Solvency	Productivity
1	3.4096	1.4046	0.2888	0.5805
2	3.4631	1.3088	0.2764	0.5433
3	3.5781	1.2049	0.3771	0.6801
4	3.7443	1.3252	0.3529	0.5577
5	3.3038	1.3628	0.4345	0.5288
6	3.1779	1.4544	0.5281	0.6438
7	3.4105	1.5973	0.7623	0.5391
8	4.0267	1.7222	0.8689	0.69180
9	3.9073	1.8626	0.8718	0.56406
10	3.1469	1.8435	0.9024	0.55458

## Appendix 3: Trends in Performance Ratios the Second company Sold by Public Floatation

Year	Profitability	Liquidity	Solvency	Productivity
1	0.0341	0.1189	0.3967	0.6094
2	- 0.1197	1.0165	0.5969	0.5209
3	0.0240	1.0236	0.2095	0.6114
4	0.11612	1.1068	0.2576	0.7255
5	0.1076	1.2778	0.3056	0.6320
6	0.2009	1.3829	0.2877	0.8552
7	0.6306	1.3645	0.2447	0.8784
8	0.5733	1.7188	0.1743	0.9098
9	0.59265	1.6937	0.1344	0.8985
10	0.5112	1.9433	0.1782	0.8249

## Appendix 4: Trends in Performance Ratios for the Third Company Sold by Public Floatation

Year	Profitability	Liquidity	Solvency	Productivity
1	-0.3986	1.0371	0.9168	0.109
2	0.0327	1.0854	0.9114	0.1401
3	-0.0610	1.0862	0.8901	0.1326
4	-0.1356	1.0994	0.8818	0.1619
5	0.0523	1.1052	0.8691	0.238
6	0.1512	1.1001	0.8712	0.239
7	0.1651	1.0823	0.8979	0.2399
8	0.1824	1.0997	0.8901	0.4127
9	0.5931	1.1346	0.869	0.4951
10	0.6617	1.0594	0.9201	0.5094

## Appendix 5: Performance of First Firm Sold by Pre-emptive Rights

Year	Profitability	Liquidity	Solvency	Productivity
1	0.2066	0.3031	0.2838	0.2801
2	0.3001	0.3508	0.2709	0.2410
3	0.2781	0.3049	0.2781	0.2807
4	0.3441	0.3252	0.2729	0.2671
5	0.3038	0.3628	0.2331	0.3497
6	0.3703	0.3544	0.2481	0.3434
7	0.3105	0.3103	0.2623	0.4692
8	0.3267	0.4222	0.2688	0.3987
9	0.2973	0.4626	0.2718	0.3946
10	0.3069	0.4435	0.2720	0.2558

## Appendix 6: Trends in Performance Ratios for Company Sold By Pre-emptive Rights

Year	Profitability	Liquidity	Solvency	Productivity
1	0.3066	0.4031	0.1838	0.4801
2	0.4001	0.4508	0.1709	0.5410
3	0.3781	0.4049	0.1781	0.5807
4	0.4441	0.4252	0.1729	0.5671
5	0.3038	0.4628	0.1331	0.5497
6	0.4703	0.4544	0.1481	0.4434
7	0.4105	0.5103	0.1623	0.5692
8	0.4267	0.5222	0.1688	0.5987
9	0.4373	0.5626	0.1718	0.5946
10	0.4769	0.5435	0.1720	0.5558