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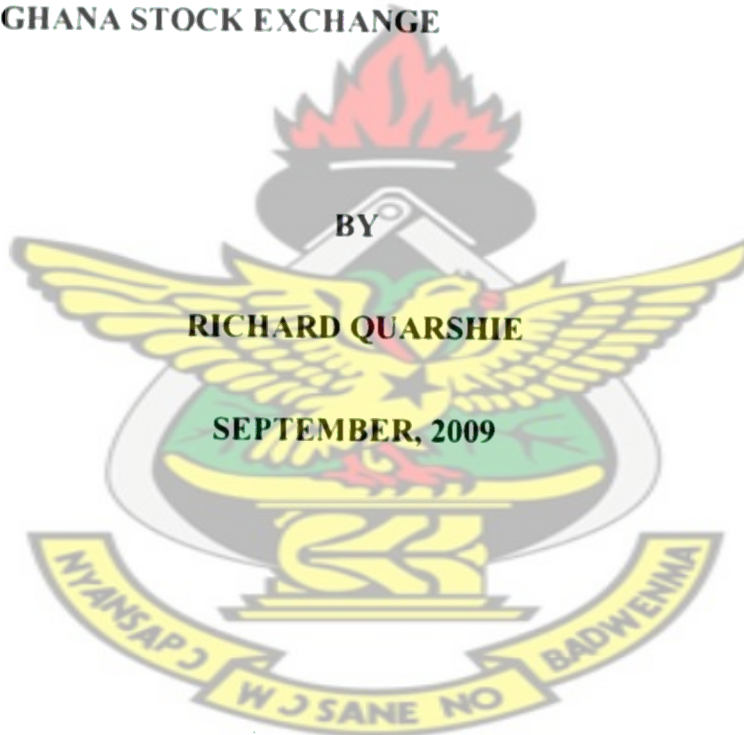
KNUST SCHOOL OF BUSINESS

**PERFORMANCE OF STATE OWNED ENTERPRISES (SOEs) BEFORE AND AFTER
LISTING ON THE GHANA STOCK EXCHANGE**

BY

RICHARD QUARSHIE

SEPTEMBER, 2009



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DECLARATION

I hereby declare that I have personally under the supervision of Mr.Newlove Asamoah of the KNUST Business School, undertaken the study herein and that to the best of my knowledge. It contains neither material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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"I declare that I have supervised the student in undertaken the study submitted herein and approve it for assessment."

MR.NEWLOVE ASAMOAH

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Date

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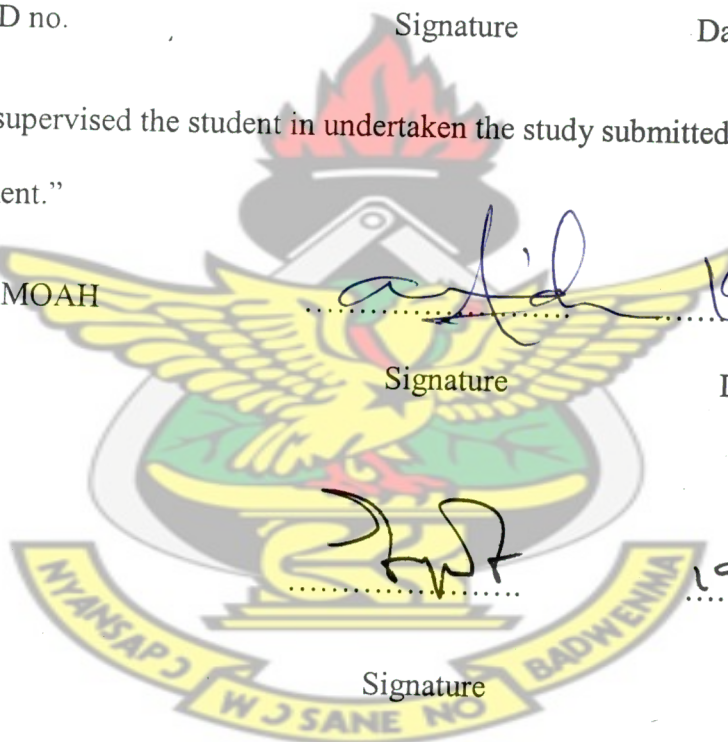
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DEDICATION

I dedicate this study to my sister Vida Naa Adjeley Quarshie of blessed memories and my beloved son Samuel Nii Adjei Quarshie.

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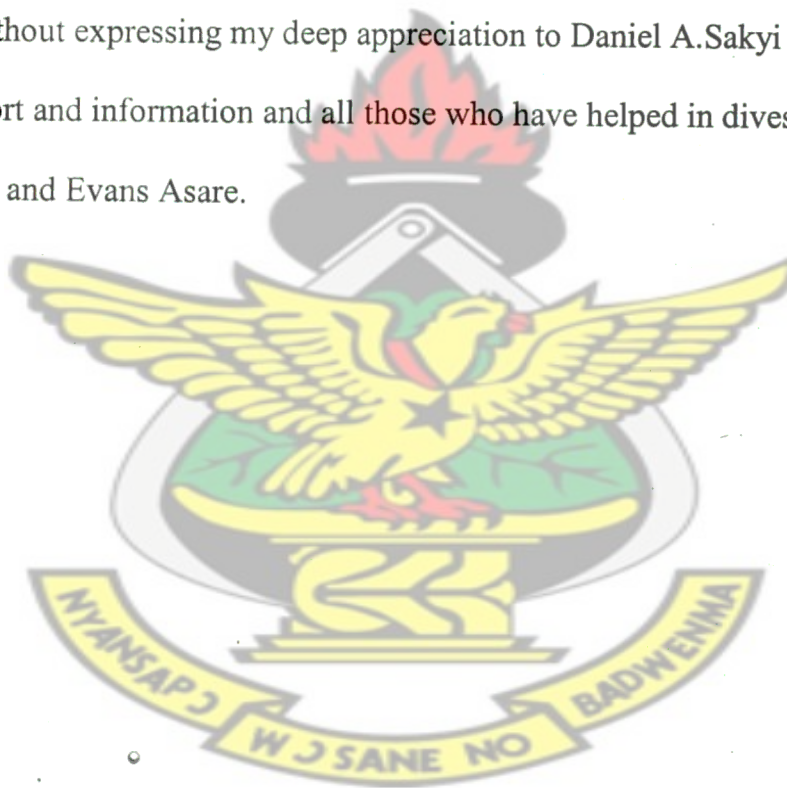


ACKNOWLEDGEMENTS

My deepest appreciations and thank go to God Almighty in Him we move, live and have our being and my supervisor, who encouragement and care in spite of his busy schedules served a good purpose.

Worthy of mentioning is my wife, Salome Quarshie, for her patience and time in typing out the manuscript despite her condition at that time, God richly bless you.

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ABSTRACT

After independence, Ghana invested heavily on public enterprises, state owned enterprises were set up to carry out specific tasks which government felt that the private sector was unable to perform, other enterprises were established because of the view that was prevailing not only in Ghana but also in more developed countries that, the SOEs need to own, operate and control key economic sector. In spite of the heavy investment in SOEs the overall performance has been poor in terms of profitability and efficiency. Given the general poor performance of Ghana's SOEs, policy makers have acknowledged the necessity to restructure the management and ownership of the enterprise. It was therefore to correct this unsatisfactory state of affairs in the enterprise sector of the economy that the divestiture programme was launched in 1988.

The study examines the pre and post performance enlistment of four SOEs listed on the Ghana Stock Exchange, namely; Ghana commercial bank, produce buying company, cocoa processing company and Benso oil palm plantation. Analysis performed using statistical T test from Minitab 15 statistical software to compare the pre and post performance. Analysis of the data revealed that OISALES for GCB, CPC and BOPP shown a significance difference between the pre and post while PBC shown no significance difference. ROS,ROA and ROE followed the same tread like OISALES.COGS for GCB,CPC,BOPP shown a significance difference between the pre and post performance while PBC shown no significance difference.TD for PBC,GCB,CPC and BOPP shown no significance difference.CR for PBC,GCB,BOPP shown no significance difference while CPC shown a significance difference.

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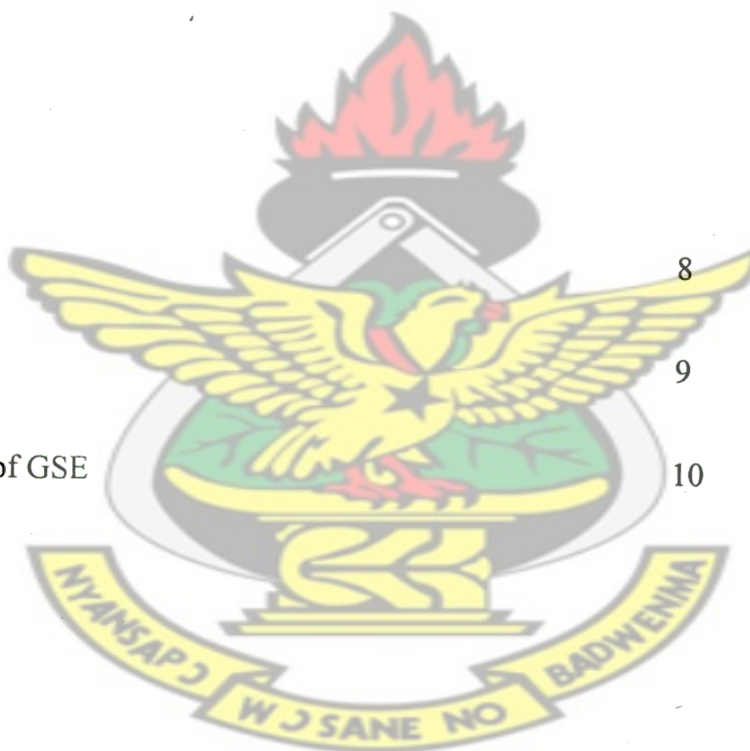
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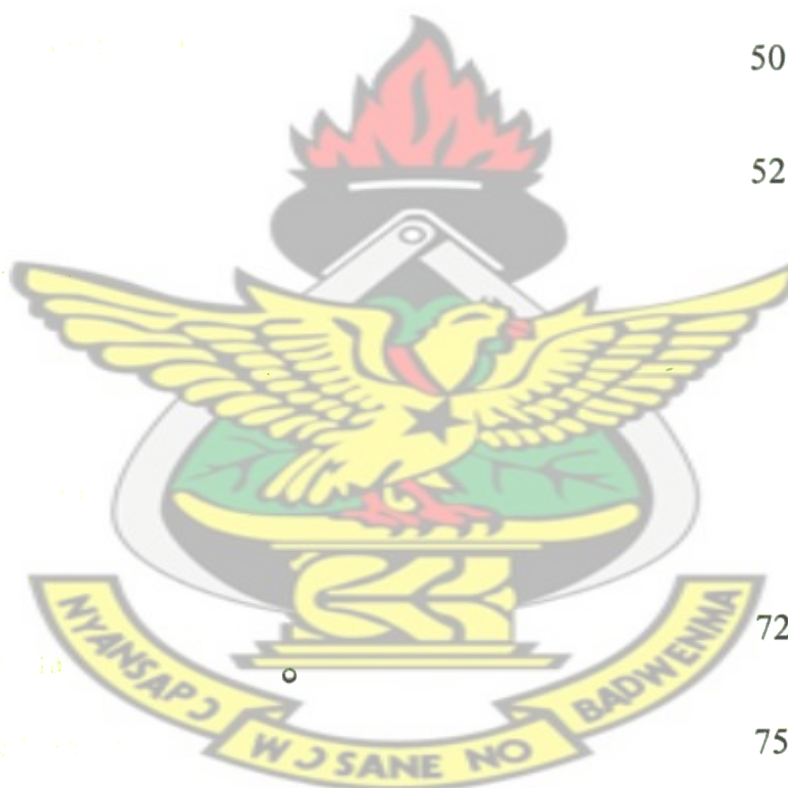
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LIST OF ACRONYMS AND ABBREVIATIONS

BOPP	Benso Oil Palm Plantation Ltd
CA	Current Ratio
COGS	Cost of Goods Sold to Sales
CPC	Cocoa Processing Company
FDI	Foreign Direct Investment
GCB	Ghana Commercial Bank
GOIL	Ghana Oil Company Ltd
GSE	Ghana Stock Exchange
GSR	Golden Star Resources
HFC	Home Finance Company
HOD	Head of Department
IPO	Initial Public Offer
LDMs	Licensed Dealing Members
NPM	Net Profit Margin
NSO	Non State Owned
OISALES	Operating Income to Sales
PBC	Produce Buying Company
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SIC	State Insurance Company

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SOEs State Owned Enterprises

SRC Securities Regulatory Commission

TD Debt Ratio

UNDESE United Nations Department for Economic and Social Affairs

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CHAPTER ONE

GENERAL INTRODUCTION.

1.0 INTRODUCTION

Capital Markets are places where companies which need long-term finances can meet investors who have finance to offer. This finance may be equity finance involving the issue of new ordinary shares or debt finance in which case companies can choose from a wide range of loans and debt securities. He said Capital Markets are also places where investors buy and sell companies and government securities (Watson and Head, 2007).

As Pardy (1992), observes securities markets have an important role to play in financial liberalization and deepening. The author contends that apart from providing a means of diversifying risk for both capital raisers and investors, securities markets could play other roles. For example, they are a mechanism for capital allocation and corporate monitoring, and a means for government to exercise market-based rather than direct fiscal and monetary policies.

Demirgüç-Kunt (1992), observes that in the poorest developing countries, firms rely mostly on internal resources and informal credit markets for financing. Commercial banks are the main financial institutions. The author contends that the loan contracts of commercial banks are generally short term, and formal direct credit markets for long term debt or equity do not exist, thereby constraining both corporate and economic growth. Engberg (1975), recognizes the need for capital markets even for less-developed economies. He contends that capital markets can significantly raise the level of domestic savings and contribute to a more efficient allocation of such savings among competing uses. The author emphasizes that through the capital market, a

variety of financial assets, carrying different risks, yields and liquidity, is added to the traditional types of financial assets such as demand and savings deposits (Osei, 1998 in www.aercafrica.org/publications)

1.1 BACKGROUND TO THE STUDY

The Stock Exchange-organized market for the buying and selling of stock and shares issued by corporations. The Stock Exchange allows for the speculative purchase of stock in the hope that the price will increase and this yield profit to investors or provide dividend payment giving a fair rate of return on the investments. Stockholders act as the agents in the purchase and selling of stock and shares (Philips' Encyclopedia, 2002). The World Book Inc. (Vol.18) defined Stock Exchange as a market place where member brokers act as agents for the public in buying and selling shares of stock. A Stock Exchange provides a market place for stocks and bonds in much the same way a commodity exchange does. The Ghana Stock Exchange (GSE) was established to mobilize equity capital for corporate and national development. According to Mensah (2001), the GSE has given recognition as a stock exchange by Executive Instrument in October 1990 under the Stock Exchange Act 1971 (Act 384). The Exchange officially launched on 11th January, 1991 although trading started on 12th November, 1990. However, since independence in March 1957, a large number of directly productive enterprises have been set up or taken over by successive governments. Most of these SOEs performed inefficiently and suffered substantial losses so that by the early 1980s SOE losses constituted the bulk of the massive budget deficit which was then being incurred. In addition, many SOEs were engaged in activities- such as retail trading, indirect competition with private sector. Under the Economic Recovery Programme, the SOEs reform programme was launched in 1988. The programme

seeks to improve the efficiency of the minority of SOEs which are to be retained in the public sector for strategic or other reasons and to dispose off the majority which are scheduled for divestiture. The continued retention of a large number of commercial and industrial enterprises in the public sector would be at variance with the policy of promoting private sector participation in the development of the national economy (Ghana Vision 2020, Development Plan, 1997). Yeboah (2000), said after independence, Ghana like most developing countries adopted state led economic strategy of development, philosophy at the period. Consequently, public ownership and control of commanding heights of the economy was given special emphasis. This led to the establishment of many State-Owned Enterprises (SOEs) particularly in the early 1960s. In spite of the heavy investments in SOEs, the overall performance has been poor in terms of profitability and efficiency.

To address the problems facing the SOEs, the divestiture programme was launched in 1988. The programme among other things was intended to reduce the size of the public sector and improve the programme of SOEs by mobilizing private sector management and capital. Before the initiative of the divestiture programme most of the enterprises were drawn on the tax-payer. Some of them could not service government guaranteed loans nor could they even pay the salaries and social security contributions of their over bloated staff. Sometimes enterprises owed billions of cedis between themselves. Low operating capital, obsolete plant and equipment and inefficient management resulted in poor performance and production (Ghanaian Times, 1999).

The study was undertaken to assess the programme of SOEs listed on the GSE especially on their pre and post listing. However, in 2007, the market saw among the following public offers from three (3) companies namely; Ghana Oil Company – GOIL, State Insurance Company –

SIC, Golden Star Resources – GSR and saw the right issue of Ghana Commercial Bank (GCB), Corporate Bond of Home Finance Company (HFC) Bank (Series 'J'). the number of SOEs increased from four to six in 2007, They are Ghana Commercial Bank (GCB): Business activities include banking and related services, listed on GSE on 17th May, 1996. Produce Buying Company (PBC): Purchase cocoa beans from farmers and store them in purpose built sheds at the villages or society levels, cart these to collection points for inspection, grading and selling by the Cocoa Board's Quality Control Department. It was listed on the GSE on 17th May, 2000. Cocoa Processing Company (CPC): Processing of raw cocoa beans into semi-finished and confectionery products. It was also listed on GSE on 14th February, 2003. Benso Oil Palm Plantation Limited (BOPP): Producing and processing crude palm oil. Listed on the GSE on 30th August, 2004. Ghana Oil Company (GOIL): Marketing and distributing of petroleum products. It was listed on the GSE on 16th November, 2007. State Insurance Company (SIC): Insurers and reinsurers general for risk of every type and description was listed on the GSE on 24th January, 2008. (www.gse.com.gh)

1.2 RESEARCH PROBLEM

In Ghana, the expansion role of the state particularly in the early 1960s led to the establishment of many state owned enterprises (SOEs). The development philosophy at the period was based upon a combination of nationalism, pan-Africanism, Africa socialism and supported by the economic development theories of the era. (Adda, 1989). Considering the extent of the debate over privatization, restructuring and regulation of SOEs away from the capital market, the study was initiated to assess these research questions.

Research question

1. Has the company's aim of going public on GSE been achieved?
2. Has the GSE helped the company to grow?
3. Are SOEs better off after being listed on the GSE?

1.3 OBJECTIVES OF STUDY

I.To compare and contrast the pre and post listing performance of SOEs listed on the GSE from the following perspective: Liquidity Analysis, Profitability Analysis.

li.To examines the challenges and prospects of SOEs listed on the GSE.

1.4 HYPOTHESIS

Null Hypothesis (H_0): Pre-enlistment profitability of SOEs is less than post enlistment profitability. Alternative Hypothesis (H_1): Pre-enlistment profitability of SOEs is not less than post enlistment profitability.

1.5 JUSTIFICATION.

Companies raise long term money from the capital market. The capital market consists of primary and secondary markets. However firms need to raise an appropriate mix of short and long term capital. There are about 300 state owned enterprises in diverse business areas to be privatized not on the stock exchange but to a strategic investor. In light of all these developments, it is good or necessary to analyses the pre and the post performance of SOEs listed on the GSE and to make the necessary recommendations. Considering the extent of debate over privatization, restructuring and regulation of SOEs away from the capital market.

Given the general poor performance of SOEs and disappointments, the study was initiated to assess the performance of SOEs listed on the GSE and also the benefits derived for being listed.

1.6 METHODOLOGY.

The study uses mainly secondary data obtained from the GSE, Internet, Library and other publication such as audited financial reports and daily newspapers. Financial reports that is profit and loss account, balance sheet and annual report for the period under review were gathered from the GSE. Both descriptive and quantitative methods of data analysis were used. Financial ratios, tables and graphs were employed for the analysis. Also comparative analyses were made of some financial performance indicators of the companies. The difference between pre-enlistment and post-enlistment of SOEs on the Ghana Stock Exchange was assessed using t-test.

1.7 SCOPE OF THE STUDY.

Pre and Post audited financial statements from 1993-2007 for GCB, from 1997-2007 for PBC, from 1997-2007 for CPC and from 1999-2007 for BOPP to determine their liquidity, profitability or return on investment. There are 36 listed companies on the GSE, 6 are SOEs but only 4 out of the 6 were used. The other 2 were rejected because they were recently listed on the GSE and do not have enough information. Companies used for the analyses were Ghana Commercial Bank, Produce Buying Company, Cocoa Processing Company and Benso Oil Palm Plantation Limited

1.8 LIMITATION OF THE STUDY.

We have 36 listed companies on the GSE and 4 SOEs were used. In order words, the researcher could not cover all the SOEs listed on the GSE due to lack of information. There are so many indicators for measuring enterprise performance but the study used few. Some of the information or data are very expensive. Also travelling from Kumasi to Accra for the information was expensive.

1.9 ORGANIZATION OF THE STUDY.

The work is divided into Five Chapters. Chapter One – Consists of Introduction, Background, Research Problem, Objectives, Methodology, Scope of Study, Limitation and Organization. Chapter Two – Literature Review, (introduction, sub heading). Chapter Three – Methodology and Profile of the Organization. Chapter Four – Data Analysis, Finding and Discussion. Chapter Five – Summary, Conclusion and Recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

A Stock Exchange is an organized market in securities (shares, stocks and bonds). On this market, individuals and companies can buy shares of companies through Licensed Dealing Members (Stockbrokers) of the Stock Exchange and hence, become part-owners or shareholders of these companies. Similarly, individuals or companies through Stockbrokers can buy stocks and bonds of other companies and the Government, and become lenders to or creditors of these companies or the Government. (www.gse.com.gh)

Any individual or company who at one time or the other lent money or bought shares through the Stock Exchange can also sell back the relevant shares or stocks through the Stock Exchange at any time. Since the Stock Exchange is an organized market, it has rules and regulations which govern it. These rules and regulations are designed to protect all market participants, including the individual who puts up some funds to invest. (www.gse.com.gh)

A stock exchange is a market place where buyers and sellers of securities meet to trade with each other. Modern stock exchange can be real or virtual. Traditional exchange had a trading floor on which member would gather to buy and sell securities. Today, a stock exchange could be an address on the internet with traders linked by a computer network. Trading is conducted under a broad set of rules by licensed dealing member of the exchange. (Mensah, 2001)

The stock exchange transactions involve the activities of brokers and dealers. These individuals facilitate the buying and selling of financial assets. Brokers execute trades on behalf of client and receive commissions and fees in exchange for matching buyers and sellers. Dealers earn

income by selling a financial instrument at a price that is greater than the price the dealer paid for the instrument. Some exchange participants perform both roles. These dealer-brokers sometimes act purely as a client's agent and at other times buy sell from their own inventory of financial assets. Stock exchange performs important roles in national economics. Most importantly, they encourage investment by providing for buyers and sellers to trade securities. This investment in turn enables corporations to obtain funds to expand their business. (msn.encarta.htm). Securities are financial instruments or legal documents signifying either an ownership position in a company (i.e. shares) or a creditor relationship with a company or Government i.e. stocks and bonds. (www.gse.com.gh)

2.1 TRADING

In order to trade on the Ghana Stock Exchange, an individual firm must be a member of the stock exchange. There are two classes of membership on the Ghana Stock Exchange; licensed dealing members (LDMs) are brokerage firms which can trade on the floor of the exchange. Only LDMs are permitted to make transactions on the floor of the exchange. Although LDMs generally trade on behalf of their customers, they may also buy and trade for their own account. Associate members are any other members who support the objectives of the GSE. They pay an annual membership fee and receive concessionary listing when their securities are listed. (Mensah, 2001).

2.2 EMPIRICAL STUDY ON GSE

The literature consists primarily of some studies on the Ghana Stock Exchange. A research paper by Frimpong and Oteng-Abayie (2008), on Capital Market Efficiency: An Analysis of Weak-form Efficiency on the Ghana Stock Exchange. This paper investigated the issue of weak-form efficiency on the Ghana Stock Exchange. Two main analytical models: the RW and GARCH models have been employed to test for significant random walks (iid residuals) in daily market returns. A battery of five complementary statistical tests was also applied to the residuals of the estimated models to verify for serial independence. Findings in this study indicate that the Ghana Stock Exchange is weakly inefficient. The results from the RW and GARCH models unanimously reject the presence of random walks in the DSI daily market returns. Furthermore, the tests for nonlinearity proved on the strength of the McLeod-Li and BDS test that the residuals of the market returns do not follow a random walk generating process. The absence of random walks infers distortions in asset pricing and risk, a mark of market inefficiency. (Retrieved from www.eurojournal.com)

Using a similar database by Frimpong and Oteng-Abayie (2006), on Modeling and Forecasting Volatility of Returns on the Ghana Stock Exchange Using Garch Models. They found out that the DSI exhibits the stylised characteristics such as volatility clustering, leptokurtosis and asymmetry effects associated with stock returns on more advanced stock markets. The random walk hypothesis is also rejected for the GSE DSI returns. The parameter estimates of the GARCH models (a and b) suggest a high degree persistent in the conditional volatility of stock returns on the Ghana Stock Exchange. (Retrieved from www.mpra.ub.uni-muenchen.de)

Later, the work of Osei (1998), on Analysis of factors affecting the Development of an emerging Capital market: The case of the Ghana stock market The study established that the legal and regulatory infrastructure needed for the securities market in general and the stock market in particular is in place, with laws and regulations necessary to protect investors and the integrity of the GSE. These include the Stock Exchange Membership Regulation 1991, the Stock Exchange Listing Regulation 1990, and the Securities Industry Law (SIL) 1993. The Securities Regulatory Commission (SRC), which is to serve as a watchdog of the securities industry, has also been formed. The study found that the listed firms on the market complied with the information disclosure guidelines set by regulation. For example, financial reports, the amount of dividends declared, ex-dividend dates, etc., were regularly filed with the GSE. However, the ability of many investors to use the information in investment decisions appeared weak. Hence the inability of the market to price the financial assets efficiently.(Retrieved from www.aecafrica.org/publication)

Kyereboah-Coleman and Agyire-Tettey (2008), also presented a paper on Impact of macroeconomic indicators on stock market performance: the case of the Ghana Stock Exchange. Findings of the study reveal that lending rates from deposit money banks have an adverse effect on stock market performance and particularly serve as major hindrance to business growth in Ghana. Again, while inflation rate is found to have a negative effect on stock market performance, the results indicate that it takes time for this to take effect due to the presence of a lag period; and that investors benefit from exchange-rate losses as a result of domestic currency depreciation. (Retrieved from www.accessmylibrary.com)

Another seminar paper presented by Alagidede and Panagiotidis (2006), on Calendar Anomalies in an Emerging African Market: Evidence from the Ghana Stock Exchange. This paper investigates two calendar anomalies in an emerging African market. Both the day of the week and month of the year effects are examined for Ghana. The latter is an interesting case because i) it operates for only three days per week during the sample period and ii) the increased focus that African stock markets have received lately both from academics and practitioners. The evidence also shows the presence of the day of the week effects with asymmetric volatility performing better than the benchmark linear estimates. This seasonality though disappears when only the latest information is used (time-varying asymmetric GARCH) (Retrieved from www.ideas.repec.org)

Using multivariate cointegration and error correction model, Adams and Tweneboah (2009), presented a paper to examine the impact of Foreign Direct Investment (FDI) on the stock market development in Ghana. The results indicate that there exists a long-run relationship between FDI, nominal exchange rate and stock market development in Ghana. They find that a shock to FDI significantly influence the development of stock market in Ghana. Contrary to previous researchers who find FDI to negatively affect growth in Ghana, They find significant positive impact on stock market development in Ghana. The concentration of FDI in the mining sector which does not generate direct growth impacts on the wider economy has been cited as the reason for negative effect of FDI on economic growth. (Retrieved from www.eurojournals.com/finance.htm)

In another research paper by Adams and Tweneboah (2008), on Macroeconomic Factors and Stock Market Movement: Evidence from Ghana, The study examines the effects of macroeconomic variables on the movement of stock prices in Ghana. They analyze both long-

run and short-run dynamic relationships between the stock market index and macroeconomic variables including inward foreign direct investments, Treasury bill rate, consumer price index, and exchange rate from 1991:1 to 2006:4 using Johansen's multivariate cointegration test and innovation accounting techniques. They established that there is cointegration between macroeconomic variables and stock prices in Ghana indicating long-run relationship. Further tests indicate that, in the short-run, inflation and exchange rates matter for share price movements in Ghana, however, interest rate and inflation prove very significant in the long-run. (Retrieved from www.ssrn.com)

According to Chhibber and Majumdar (1998), on the State as Investor and State as Owner: Consequences for Firm Performance in India, The results of the study, based on an analysis of data for more than 1,000 Indian firms, support the view that, after controlling for a number of critical firm- and environment-specific factors, state ownership has either no or a negative impact on the performance of a mixed-enterprise firm that operates in a competitive environment, as far as returns on assets and on sales are concerned. Firms in which property rights devolve clearly and unambiguously to the state shareholders are definitely poorer performers than firms in which the state cannot exercise effective control. In addition, the results suggest that firms in which control does not fully devolve to the state also do not perform as well. With state control comes a clear attenuation of property rights that does not occur at lower levels of state shareholding. (Retrieved from www.journals.uchicago.edu)

A presentation on State Owned Enterprises and Equitization in Vietnam by Sjöholm (2006), examines SOEs and the equitization (privatization) process in Vietnam. They compare the development with guidelines from economic theory and with lessons from privatization programs in other countries. Equitization in Vietnam is found to target small SOEs and no

larger ones, and it does not address the efficiency problem with state ownership since the state typically remains a controlling share of the equitized SOEs. Moreover, economic theory and experience from other countries suggest that the Vietnamese approach with diffused ownership in SOEs and in equitized firms; equitization to employees and management; and little participation of strategic investors, might not be the most efficient approach to public ownership and to equitization. They argue in this paper that Vietnam still has an opportunity to change its approach towards SOEs and equitization and thereby secure increased efficiency and economic growth. (Retrieved from www.hhs.se/eijs)

Does Group Affiliation Improve Firm Performance? The Case of Chinese State-owned Firms by Yu et al (2005), the paper examines, for a sample of 657 state-owned Chinese firms in 2005, whether group affiliation improves performance. By using a simple OLS regression, as well as propensity score matching, treatment effects and two-step instrumental variable methods, They find a robust positive effect of group affiliation, which suggests that state-owned firms in China may benefit from joining a business group. (retrieved from www.ssrn.com)

Farinos et al (2007), presented a paper on operating and stock market performance of state-owned enterprise privatizations: the Spanish experience, to investigate the operating and stock market performance of Spanish state-owned enterprises (SOEs) privatized through public share issue offerings (SIPs) from 1990 to 2001, when the last SIP was conducted. They compare the performance of SOEs and Privately-owned firms. They find significant operating improvements in Spanish SOEs after the privatization. Specifically, they show significant increases in income efficiency, real sales and employment. Spanish governments tried to minimize the foregone proceeds when selling SOE shares and underpriced them lower than private firms. They relate these results with the pressure of the Maastricht Treaty fiscal criteria,

as well as lower information asymmetries between firms and investors. Finally, we do not find long-term abnormal stock market performance after SIPs. (Retrieved from www.ssrn.com)

A policy notes paper presented at United Nations Department for Economic and Social Affairs (UNDESA) by Chang (2007), on state-owned enterprise reform . Despite popular perception, encouraged by the business media and contemporary conventional wisdom and rhetoric, SOEs can be efficient and well-run. This may sound like a trivial statement, but it is very important to start our discussion with this point, given the depth of prejudice against SOEs. Singapore Airlines, often voted the best airline in the world, is an SOE, 57 per cent owned by the government holding company, Temasek Holdings, whose sole shareholder is the Singapore Ministry of Finance. The highly respected Bombay Transport Authority of India is also an SOE. World-class companies like the Brazilian regional jet manufacturer EMBRAER, the French carmaker Renault, and the Korean steel-maker POSCO all initially succeeded as SOEs, with the state still exercising critical influence in the case of EMBRAER and Renault . Many countries achieved economic success with a large SOE sector. In addition to Singapore Airlines, the Singapore government owns enterprises not just in the “usual” sectors like telecommunications, power (electricity and gas), transport (rail, bus, and even taxi), and ports, but also in sectors like semiconductors, shipbuilding, engineering, shipping, and banking. It has one of the largest SOE sectors in the world. Taiwan (Province of China) achieved its economic “miracle” on the basis of a large SOE sector and with little privatization. Throughout most of the second half of the 20th century, countries like Austria, France, Norway, and West Germany had large SOE sectors and performed well. Especially in France, SOEs were often at the forefront of industrial modernization despite the theoretical justifications for SOEs and the many examples of well performing SOEs, many SOEs are not well run. Why? The most popular explanation contains

two elements: the principal agent problem and the free rider problem, both based on the assumption of self-seeking individuals. Despite the absence of any peculiar barriers to good SOE performance, it is the case that, as a group, SOEs have under-performed private enterprises in many countries. For this reason, privatization has been touted as a means for squeezing better performance out of SOEs. Unfortunately, such a solution presents a conundrum. At root, it appears that if a government has the capacity and capability to conduct a good privatization, it probably also has the capacity to operate good SOEs; whereas, if a government does not have the capacity to operate good SOEs; it likely also lacks the capacity to conduct a good privatization. If public ownership per se is not the only, or even the most, important reason for inefficient performance, privatization cannot be an effective cure for the problems of SOEs. Moreover, as seen above, there are many practical problems involved in privatization. Hence, it may be fair to say that privatization should be considered as one of the last, rather than the first, means to address poor SOE performance (www.ideas.repec.org.)

Seiler et al (2005), paper on Return Characteristics of State-Owned and Non-State-Owned Chinese, The study examines and compares stock returns and volatilities between state-owned (SO) and non-state-owned (NSO) firms on the Shanghai and Shenzhen stock exchanges. Results vary significantly by exchange. Returns for both firm types, on both exchanges, exhibit negative skewness and high kurtosis inconsistent with a normal distribution. Returns display significant autocorrelation, even after the removal of lower-order effects. Granger causality tests reveal that Shenzhen returns significantly lead Shanghai returns. Within both exchanges, SO firms lead NSO firms. Neither SO nor NSO firm shares are dominated in terms of second-order stochastic dominance (retrieved from www.papers.ssrn.com)

Wei, Varela, and Hassan (2002), report that SO enterprises are consistently less profitable than other enterprises and argue this is likely the result of weaker management and employees, looser monitoring, and softer budget constraints. Similarly, Huang and Duncan (1997) argue that “involvement of the authorities in the firm’s investment decisions . . . increase[s] the probability of making a loss,” whereas Wu (1998) argues that inefficient SO operations are due in large part to workforce redundancies. Wu estimates that 30% of the SO enterprise workforce is redundant, increasing costs and diminishing firm efficiency and profitability. Sheehan, Morris, and Hassard (2000) integrate the previous two arguments and conclude that political repercussions (including the direct intervention of local authorities into the company’s operations) of eliminating worker redundancy via job cuts continues to limit and undermine the productivity and efficiency of state-run organizations. (www.papers.ssrn.com in Seiler et al 2005).

Meng and Perkins (1998), argue that an incentive problem exists within SO firms that diminish their overall productive efficiency. Specifically, although recent market-based reforms have given managers more autonomy and decision-making authority, the government still ultimately owns the assets. Therefore, a fundamental disconnect arises between the decision-making and risk-bearing functions of the organization. Under such conditions, a firm might rationally depart from the traditional profit-maximization paradigm and, instead, focus on maximizing income per employee (i.e., worker utility). Che and Qian (1998) add further support to this contention and argue that SO firms fail to provide an incentive structure consistent with maximizing shareholder profits. (www.papers.ssrn.com in Seiler et al 2005).

Groves, Hong, McMillan, and Maughton (1994, 1995), provide some hope that economic reforms are increasing the efficiency of SO enterprise operations. They argue that early

economic reforms better aligned managerial incentives with shareholder wealth maximization, as salaries (and even continued employment) became more frequently tied to a firm's sales or profit. The enhanced managerial autonomy engendered by these economic reforms has also been transmitted to workers, as managers now have (and exercise) the flexibility to provide incentives by rewarding individual employees based on productivity. (www.papers.ssrn.com in Seiler et al 2005).

Xu and Wang (1999), examine the impact of state ownership on the performance of publicly listed firms in China. Their study, which relies on proprietary firm-level data, finds that ownership significantly affects the profitability of publicly traded firms. They conclude that the inefficiencies of such SO enterprises are due primarily to decreased labor productivity. However, Xu and Wang exclusively compare Chinese owned firms to those owned by foreign countries such as the Czech Republic (57.8%), Germany (79%), and Japan (33%). Furthermore, their study focuses on comparisons between Chinese firms that are traded as B shares and thus denominated in foreign currencies. (www.papers.ssrn.com in Seiler et al 2005).

Boardman and Vining conclude that, "after controlling for a wide variety of factors, large industrial MEs [mixed enterprises] and SOEs perform substantially worse than similar PCs (private corporations)." For Boardman and Vining and others, ownership is clearly defined. In their framework, it is clear whether a firm is privately owned or a mixed or a state-owned enterprise. Ownership, however, is not clearly definable in all cases. Consequently, the effects of state ownership on the performance of enterprises may be difficult to determine precisely. The issue is to determine at what level of shareholding the state (or any other owner) can exercise strategic control over a firm. Is control over 20% of the shares enough, or is owning 30% shares necessary? What level of state ownership is sufficient to influence firm

performance? Alchian (1962), a form of state intervention that has been criticized is government ownership of firms. State-owned firms do not perform as well as private firms do largely because property rights are more attenuated in an SOE than in a privately held firm. (Retrieved from www.journals.uchicago.edu in Chhibber and Majumdar 1998)

Empirical evidence suggests that many of the voucher privatization programs failed, often because of insider controls of the firms (Megginson and Netter, 2001). More precisely, management typically blocked the share-holders' influence over the company, partly as a result of the difficulties in exercising a good control of a company in situations where ownership is not concentrated. (Retrieved from www.hhs.se/eijs in Sjöholm, 2006)

The interest in reforming SOEs was caused by their poor performance. Most SOEs operated with obsolete machinery and equipment, and surveys of the sector indicated that perhaps one-third of the capital stock was useless (Le Dang Doanh, 1996). Moreover, the financial performance of the SOEs were weak; most SOEs were running at a loss and only 300 enterprises accounted for 80 percent of the SOE sector's contribution to the state budget. Due to their low profitability, many SOEs were forced to borrow capital from other state enterprises, the banking sector, and other capital sources, which created a complex maze of cross-subsidization and indebtedness. At the end of 1995, the aggregate debt of the SOE sector was reported to exceed the sector's aggregate turnover the same year (Kokko and Sjöholm, 1997).

The poor performance of the SOEs was caused by a host of different factors. For instance, unclear objectives, poor management, and soft budget constraint all contributed to the deteriorating situation. The former factor was perhaps the main constraint on improved efficiency, and the government kept on bailing out SOEs in financial distress and even

encouraged the banks to lend them money without collaterals. (Retrieved from www.hhs.se/eijs in Sjöholm, 2006)

Research into the effect of privatizations on the financial and operating performance of firms privatized through share offerings indicates that transferring a state-owned enterprise to private ownership significantly improves its performance. Using multi-country samples, Megginson et al. (1994), Boubakri and Cosset (1998), D'Souza and Megginson (1999), and D'Souza et al. (2005), document significant improvements in output (real sales), operating efficiency (sales per employee), profitability and capital spending coupled with significant decreases in leverage. Similar results are obtained by Bortolotti et al. (2001), when studying the telecommunications industry. Verbrugge et al. (1999), find only a moderate performance improvement in banking firm privatizations. Megginson and Netter (2001), and Djankov and Murrell (2002), summarize numerous recent studies, showing similar patterns to those highlighted above. (Retrieved from www.papers.ssrn.com in Farinos et al, 2007)

On the one hand, Álvarez and González (2005), analyse the operating performance of a mixed sample of private and state-owned firms that conducted an IPO in the period 1985–1997, finding a significant decline in the operating performance after going public. On the other hand, Farinós et al. (2005) investigate the operating performance of IPO and seasoned equity offering firms that conducted an issue during the period 1993–2000 (both IPO and seasoned equity offering samples are also mixed samples of private and state-owned firms). Their results show (i) significant improvements in the margins and profits of the small and medium firms that conduct an IPO (which suggests that they may have decided to go public to solve their problems of capacity), and (ii) abnormally high economic returns before the offering and subsequent falls in profits (in both cases captured with greater intensity by the variables most sensitive to

possible accounting management) for the largest firms that conducted a seasoned equity offering. (Retrieved from www.papers.ssrn.com in Farinos et al, 2007)

Bokpin and Isshaq (2008), presented a paper on the impact of stock market development on the financing choices of listed firms in Ghana using data covering the period 1991 to 2005. We regressed debt-equity ratios on market size and market liquidity variables using ARIMA models. Our results suggest that stock market development has not led to the substitution of equity for debt as per propositions by Demiguc-Kunt and Maksimovic (1996). Further, our results suggest market liquidity variables show mixed impact on the debt-equity proportions suggesting that the size of the Ghanaian stock market is not yet significant to impact on financing choices of firms on the exchange. Short-term debt was found to be significantly negatively related to the market size variable and turnover ratio (a measure of market liquidity), but insignificantly positively related to the other measure of market liquidity. Further, research on the openness of the macro-economy, and the entire financial market spectrum's development could put these results in a proper context

Using data of 61 firms from 18 countries and 32 industries, full or partial privatization through public share offerings, over the period of 1961-1990, Megginson, Nash, and Randenborgh (1994), Comparing the three-year pre to three-year post-privatization financial and operating performance Employing profitability, operating efficiency, capital investment, output (real sales), employment, leverage and dividend as the financial and operating performance measures. Testing for the significance of median changes in ratio values in post versus pre privatization period, and of percentage of firms changing as predicted

Findings Profitability, operating efficiency, real sales, investment spending, dividend payments, and leverage are significantly improved following privatization. Employment also increases after privatization, but insignificantly

Using the same measures and methodology as Megginson, Nash, and Randenborgh (1994), Boubakri and Cosset (1998), Employing data of 79 newly privatized firms headquartered in 21 developing countries that were privatized over the period from 1980 to 1992. Profitability, operating efficiency, real sales, investment spending, dividend payments, and employment level significantly increase while leverage significantly decreases during the post privatization period D'Souza and Megginson (1999), Obtaining data of 85 firms in 28 countries and 21 industries that were privatized through public share offerings for the period from 1990 to 1996. Using the same measures and methodology as Megginson, Nash, and Randenborgh (1994). Profitability, operating efficiency, real sales, dividend payments, and leverage have significant increases during the post privatization period. Moreover, capital investments significantly increase in absolute values, but not related to sales and assets. Finally, employment declines following privatization, but insignificantly.

Using data of 218 state-owned companies in 26 different sectors privatized from 1983 to 1991 in Mexico La Porta and López-de-Silanes (1999), Comparing post-privatization financial and operating performance ratios to pre-privatization. Operating income to sales and net income to sales increase 24.1 and 40.0 percent, respectively, and output (sales) increases 54.3 percent in comparison with pre-privatization. In addition, employment level significantly declines, 53.4 percent for blue-collar workers and 53.3 percent for white-collar workers, and operating efficiency, as measured by the average cost per unit, drops 21.49 percent following privatization. However, the capital investment in fixed assets is mostly unchanged. Further, the

improvement in profitability is decomposed into three components: (1) 5 percent is due to higher product prices, (2) 31 percent comes from laid-off workers, and 64 percent is induced by productivity gains.

Using the same measures and methodology as Megginson, Nash, and Randenborgh(1994), D'Souza et al., (2001), Collecting data of 118 firms (from 29 countries and 28 industries), privatized through public share offering for the period between 1961 and 1995 Profitability, real sales, operating efficiency and capital expenditure significantly increases, and leverage significantly decreases following privatization. Moreover, employment level increases during the post-privatization, but insignificantly. Further, changes in ownership structure significantly contribute to performance improvements, and the level of capital market development has positive impact on the amount of performance improvements following privatization.

Dewenter and Malatesta (2001), obtaining data of 63 firms privatized during the period from 1981 to 1994. Using the same methodology as Megginson, Nash, and Randenborgh (1994), comparing pre to post privatization performance measures. Return on sales and return on assets are statistically significant increases, but return on equity and EBIT based profitability measures are statistically insignificant decreases after privatization. Additionally, the study finds that all the measures of leverage significantly decline following privatization. Finally, the study reports that labor intensity (employees on sales and employees on assets) significantly decrease after privatization.

Boubakri and Cosset (2002), Employing data of 16 newly privatized firms headquartered in Africa during the period from 1989 to 1996 Using the same methodology and performance measures as Megginson, Nash, and Randenborgh (1994), with some exceptions due to unavailable data Profitability, sales efficiency and real sales increase while the leverage ratios

decrease after privatization, but all changes are statistically insignificant. Moreover, capital investments, measured by capital expenditure on sales and capital expenditure on total assets, significantly increase following privatization.

Using the same methodology as Megginson, Nash, and Randenborgh (1994), Employing a cross-sectional regression to identify the sources of performance changes following privatization with industry, size, timing, debt, ownership, percent privatized, foreign influence as explanatory variables Harper (2002), Using data of 453 privatized firms in the first and second waves of Czech privatization. Return on sales, net income and sales efficiency significantly increase, but return on assets insignificantly decreases following privatization. Additionally, real sales and employment significantly decline during the post-privatization period. Moreover, firms privatized in the second wave perform better than firm privatized in the first wave. Furthermore, small firms have greater improvement than large ones following privatization. Finally, ownership structure has a little effect on performance improvements of the firms following privatization.

Boubakri, Cosset and Guedhami (2004), Using data of 50 firms from 10 countries in Asia privatized during the period from 1980 to 1997. Using the same methodology as Megginson, Nash, and Randenborgh (1994), Privatization leads to statistically significant improvements in profitability, efficiency and output. Employment also increases, but insignificantly.

Further, corporate governance and the economic environment have an effect on the extent of performance improvements. For instance, more developed stock markets and involvement of foreign investors are important determinants of performance changes following privatization.

Comparing the extent of restructuring across firms, Pohl, Anderson, Claessens and Djankov (1997), Using data of over 6,300 privatized and state-owned firms in seven eastern European countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovak Republic, and Slovenia) during the period of 1992-1995. Privatization has positive impact on firm restructuring. Firms privatized for 4 years have an increase in productivity 3-5 times more than similar state-owned firms.

Comparing the performance of privatized firms to state-owned firms, and examining the impact of ownership structure on firm performance Using sales revenues, employment, labour productivity (revenue per employee) and labour and material cost (per unit of revenue) as performance measures of firms. Frydman, Gray, Hessel and Rapaczynski (1999), Using a sample of 90 state-owned and 128 privatized enterprises in the transition economies of Central Europe (Czech Republic, Hungary, and Poland) Privatized firms generally outperform state-owned firms, particularly in terms of revenue growth. Especially, privatization has the significantly positive impact on the performance of firms that are controlled by outsiders. However, privatization has no significant effect on all performance measures of firms that are controlled by inside owners.

Claessens and Djankov (2002), Using data of 3,181 newly privatized and 3,173 state-owned enterprises in seven Eastern European countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovak Republic and Slovenia) during the initial transition period from 1992 to 1995 Studying the benefits of privatization by comparing changes in the performance of newly privatized to state-owned enterprises, Using sale revenues, labour productivity and employment as the company's performance measures. Privatization is associated with statistically significant improvement, for the whole sample, in sales revenues and labour productivity and with a low

rate of labour shedding. Especially, firms privatized for 3 years or more significantly outperform state-owned firms, but privatized firms for less than 2 years do not have significant difference in performance compared with state owned firms.

Using the production function to measure effects of foreign and employee ownership on firm Performance Smith, Cin, and Vodopivec (1997), using a sample of 22,735 Slovene privatized firms during the period from 1989 to 1992. Firms with higher revenues, profits and exports are more likely to exhibit foreign ownership and employee. Moreover, an elasticity analysis shows that one percentage point increase in foreign ownership is associated with about a 3.9 percent increase in value-added, and for employee ownership with about a 1.4% increase.

Using data of 755 Czech firms over the period 1993-1995 Weiss and Nikitin (1998), Employing both robust and OLS regression techniques Ownership concentrated by large individual shareholders other than investment funds and companies is associated with positive improvements in all performance measures. However, concentrated ownership by funds does not improve the firm performance.

Claessens and Djankov (1999a), Using a sample of 706 Czech privatized firms over the period from 1992 to 1997 Using the OLS regression analysis to determine the relationship between ownership structure and firm performance Employing profitability and labour productivity as measures of the firm performance Concentrated ownership is associated with positive changes in both profitability and labour productivity. Specifically, a 10 percent increase in concentration leads to a 2 percent increase in labour productivity and 3 percent in profitability. Moreover, foreign strategic investors and non-bank sponsored investment funds outperform bank sponsored funds and local strategic investors.

As noted by Gupta (2005), the efficiency gains from privatization can be derived from either the termination of political interference (political perspective) or from increased managerial discipline within the stock market (managerial perspective). However, the prior studies do not generally distinguish between firms that are fully privatized or those that are only partially privatized, and with the fully-privatized samples, it is difficult to distinguish between these two effects because they involve the simultaneous shift of both ownership and control to the private sector. On the other hand, partial privatization samples have the advantage of separating out the managerial perspective, given that governments continue to maintain control of the privatized firms; hence, there is the continued presence of political influence.

Gupta (2005), found that the partial approach was effective in improving profitability, productivity and investment. As in the situation in India, most SOEs in China are similarly partially privatized, which enables us to test the managerial perspective and to determine whether inadequate information about managers is an important factor in SOE inefficiency levels. The economic systems in India and China are quite different, in that China has a socialist market economy while India has a free economy. Hence, it is unknown, a priori, whether the stock market within a socialist market economy can provide effective monitoring of firms, as was documented by Gupta (2005) within the free economy of India.

Another considerable study was conducted by Webster & Amin (1998), employing a survey of 14 privatized firms in 1998 with a focus on sales, profits, employment and changes in ownership. The authors of this study also concluded that in general privatization had proved a successful policy. One noteworthy point was the discovery of difficulties in working capital and absence of investment capital financing in the sample of privatized firms. However, the causes of full implications of these factors were not developed in the analysis of the study's results.

This study is based on a detailed dataset compiled from the financial statements of 21 companies listed in Ho Chi Minh security center both before and after their listing. As distinct from previous studies, we report in considerable detail on observed changes in factors such as profitability, liquidity, working capital management, investment policy and cash flow, not only at the point of privatization, but over a period of three years post privatization. Consequently, this study offers insights into the changing face of post privatized SOEs in a socialist transitional economy not previously available.

Wang et al (2003), on State-Owned Enterprises Going Public: The Case of China

Public listing is a key reform measure for large state-owned enterprises (SOEs) in China. We find evidence that public listing lowers state ownership significantly, lessens firms' reliance on debt finance, and allows firms to increase capital expenditure, at least temporarily. We also find that ownership structure affects post-listing performance. However, we find no statistical evidence of a positive effect of public listing on firms' profitability.

The operating and financial performance of newly privatized state owned enterprises in malaysia by isnurhadi banaluddin (2007), shown that, performance were studied through statistical analysis of the dependency of several independent variables namely performance proxies i.e. soft budget constraint, fraction of share sold, share allocated to employee and top management team change on dependent variables i.e. return on sales (ROS), return on assets (ROA) and return on equity (ROE), real sale and net income. Several factors associated with the variation in initial returns such as percentage of share sold, uncertainty about the future firm value, market index fluctuation prior to the issue, size of firm and the value of issue on the first day of trading were analyzed statistically to evaluate the short-run and the long-run performances. The results showed that the performance proxies ROS, ROA and ROE

deteriorated and real sales and net profit of the firms improved upon privatization. The factors that are responsible to the performance changes differ depending on the performance proxies. The factors responsible for ROS are the short-term debt to total asset and the share allocated to employee, the fraction of share sold and the share allocated to employee are responsible for ROA, while the ROE is affected by the top management team change only. The real sale is influenced by the fraction of share sold and the share allocated to employee, while net profit is not affected by any factor considered in this study. The study also indicated that, on average, the IPOs are underpriced while the long-run performances of IPOs are neither underpriced nor overpriced. The factors that influence the initial returns are percentage of share sold, uncertainty about the future value of the firm, market index fluctuation, size of firm and the value of issue on the first day of trading. Only the magnitude of the initial returns significantly affects the one-, three- and five-year long-run IPOs. The study observed a pattern of underperformance (negative returns) of the long-run IPOs but statistically insignificant.

Eric C. Chang and Sonia M.L. Wong (2002), study on Corporate Governance, Political Interference, and Corporate Performance of China's Listed Companies, the study construct measures with which to capture political interference in the decision-making of China's listed companies and perform direct tests to determine the relationship between political interference in the decision-making of these companies and their performance. We offer evidence that political interference in these companies' decision-making negatively affects their performance. This study not only addresses an important corporate governance issue for China's listed companies but also brings together the theoretical and empirical aspects of the corporate performance implications of political interference.

Privatization in Sub-Saharan Africa - an essential route to poverty Alleviation by Pamacheche and Koma (2007), Africa faces a dire poverty situation and this is exacerbated by challenges such as low level of human development, low levels of productivity, poor investment climate and poor infrastructure. Attempts are being made by individual governments across the continent to tackle this problem by adopting poverty reduction strategies, and sometimes supported by multilateral finance institutions. Having noted that many public enterprises are inefficient and rely on subsidies, most governments have decided to privatize them in order to improve their performance. In most cases, privatization agencies have been established to spearhead the privatization programmes. These programmes yield mixed results, depending on the level of preparation for privatization, the type of public enterprise being privatized, and so on. Several studies on privatization in Africa reveal that it brings about numerous benefits, and empowers the private sector. The benefits that accrue to the nation include efficiency gains, stable and reduced prices, reduced government subsidies that can be redirected to other development initiatives, at times, payment of dividends to government and increase in employment, to mention a few. This paper attempts to convey the message that privatization is in the interest of Sub-Saharan African countries, both in terms of poverty alleviation and enhancement of the integration process of the continent. However, in order to have the desired impact on the poor, it is of paramount importance that privatization programmes are properly designed, integrated as part and parcel of poverty alleviation strategies, and national development plans.

Loc et al (2007), 'equitization and firm performance; the case of Vietnam,' the study examines the effects of equitization, the Vietnamese version of privatization, on firm performance in Vietnam by using data of 147 equitized firms and 92 SOEs. Applying the methodology of

Meggison, Nash and Randenborgh (1994), the study documents a significant increase in profitability, operating efficiency, real sales, and employee income of firms following equitization. Moreover, we find an increase in employment and a decrease in leverage for the equitized firms following equitization, although the increases are not statistically significant. Regarding the sources of the performance improvements of firms after equitization, the empirical findings derived from cross-sectional regression indicate that the size of firms (measured by log of pre-equitization real sales average) has significant negative effects on changes in the profitability and efficiency measures. In addition, the results reveal that ownership and corporate governance are also determinants of the performance improvements of firms after equitization. Specifically, the findings show a significant positive relationship between state ownership and the changes in real sales and sales efficiency, but a significant negative relationship between state ownership and the improvement in income efficiency. Similarly, the regression analyses point out that firms which have a chairperson of the board of directors who represents the state experience a significantly lower increase in IBTA and income efficiency compared to firms having a chairperson of the board of directors from the private sector. Moreover, the results show a significant negative effect of stock-market listing on profitability changes. However, being listed has a significant positive impact on real sales and sales efficiency improvements. Finally, it is found that firms located in HCMC have a greater improvement in IBTS compared with firms located in the other part of Vietnam.

(www.eadn.org/truongdongloc.pdt)

CHAPTER THREE

METHODOLOGY AND PROFILE OF THE ORGANISATION

3.0 SAMPLING PROCEDURES FOR DATA COLLECTION

The study uses mainly secondary data obtained from the GSE, Internet, Library and other publication such as audited financial reports and daily newspapers. Financial reports that is profit and loss account, balance sheet and annual report for the period under review were gathered from the GSE. Both descriptive and quantitative methods of data analysis were used. Financial ratios, tables and graphs were employed for the analysis. Also comparative analyses were made of some financial performance indicators of the companies. The difference between pre-enlistment and post-enlistment of SOEs on the Ghana Stock Exchange was assessed using t-test. Analysis of variance was employed to assess the significant difference among the companies with respect to their liquidity, profitability and activity. With profitability the researcher analyses it in terms of: net profit margin (NPM) which is operating income to sales (OISALES), it indicates the efficiency with which cost have been controlled in generating profit from sales. Return on Assets (ROA) which is net income to assets. It gives a guide to productive efficiency that is how well assets have been used in generating sales. Return on Equity (ROE) which is net income to equity. It compares the earning attributable to ordinary shareholders with the book value of their investment. Return on Sales (ROS) which is net income to sales. It evaluates a company's operational efficiency or measures company's profitability.

Liquidity, the researcher analyses the following: debt ratio (TD) which is total debt to total asset. It measures firm's assets financed by debt, creditors. Current ratio (CA) which is current asset to current liability. It shows the ability of a firm to meet its day to day operating expenses

and to satisfy its short term obligation. The ratio of cost of goods sold to sales (COGS), if the organization has established an average ratio of cost of goods sold to sales, it confirms whether an actual cost of goods sold figure is above or below.

3.1 SAMPLE SELECTION AND DATA SOURCES

This study analyses the effect of the finance ratios on the finance situation of four SOEs traded firms on GSE. For the years between 1993 to 2007 which is the selected study period. A total of seven ratios were employed under the following categories; liquidity, profitability, activity.

The selection procedure can be briefly be described as follows; all state owned enterprises listed on the GSE with complete data. Firm with incomplete data were excluded. The sample data used in this exercise was audited financial statements from various companies for both their pre and post enlistment. The data were obtained from Ghana Stock Exchange library (GSE Fact Book).

3.2 METHOD FOR DATA ANALYSIS

The data collected for the pre enlistment and post enlistment would be statistical analyze using T test from Minitab 15 statistical software to compare the pre enlistment and post enlistment of the various financial ratios for the companies selected. A novel feature of our data set is that it contains pre listing information which allows us to compare companies' pre and post listing performance. No firm in our data set ceased operation or was delisted after going public and also no publicly listed firms returned to private ownership in our sample period. Data from Ghana stock exchange fact books, company's mini prospectus were used to calculate the various financial ratios of all the industrial of SOEs. Conclusion A panel of pre and post listing

data for selected publicly listed companies on SOEs between 1993 to 2007 to explore the effectiveness of public listing as a means of reforming SOEs in Ghana. See the pre and post enlistment periods below for the various companies.

GCB	PBC	CPC
Pre-enlistment	Pre-enlistment	Pre-enlistment
1993-1995	1997-1999	1997-2002
Post enlistment	Post enlistment	Post enlistment
1996-2007	2000-2007	2003-2007

BOPP
Pre-enlistment
1999-2003
Post enlistment
2004-2007.



3.3 PROFILE OF THE ORGANISATIONS

3.3.1 BENSO OIL PALM PLANTATION LIMITED (BOPP)

The company was incorporated on January 22, 1976 jointly by Unilever plc and the Government of Ghana as a limited liability company under the companies code 1963 (Act 179) with registration number as 8570. It was listed on the exchange on August 30, 2004, authorized number of shares was 50,000,000, issued number of shares was 34,800,000 and its stated capital was 20,000,000,000. Unilever Ghana Ltd owns 58.45% of SHARES IN BOPP (GSE Fact book, 2007)

NATURE OF BUSINESS

BOPP Ltd operates palm plantation for producing palm and vegetable oil. It produces and processes crude palm oil. The palm oil operation has close ties to soap companies. Its located in Western Region, north of Takoradi (www.sandpworld.wallst.com/market). The company is authorized to carry on; growing of oil palm and other agricultural product, processors of oil palm fruits to produce palm oil and palm kernels and dealers and traders in palm oil, palm kernels and other agricultural products, located in Mpohor Wassa East District in Western Region of Ghana where the plantation is 42km from Takoradi. (www.business.everythinghana.com)

3.3.2 COCOA PROCESSING COMPANY

The company was incorporated on November 27, 1981, however converted to a public company on July 5, 2002 as a limited liability company under the companies code 1963 (Act 179). It was listed on the exchange on February 14, 2003. It authorized number of shares was 20,000,000,000

one redeemable preference share, issued number of shares was 1,100,826,240 and stated capital was 24,167,000,000 (GSE Fact book, 2007)

NATURE OF BUSINESS

It is in the business of processing of raw cocoa beans in to semi finished and confectionery products. The company who mains objective is to process cocoa beans by adding value to them comprises of two factories. The cocoa factory and the the confectionery factory. The factories process only the choicest premium Ghana cocoa beans without any blending, probably the only factory in the world which can make such a claim, it has increased its capacity from 25,000 metric tonnes per annum to 65,000 metric tonnes per annum. The cocoa factory processes raw coco beans into semi finished products like cocoa liquor, butter, natural/alkalized cake or powder. The confectionery factory manufactures the golden tree chocolates bars, couverture, pebbles, vitaco and all time drinking chocolate powder, chocolate delight, chocolate and royale natural cocoa powder. It is located at heavy industrial area, Tema.

ACHIEVEMENTS

In 1998, 2000, 2001 and 2002, CPC was named exporter of the year by the Ghana Export Promotion Council on account of its export performance in the non traditional sector. In 2002, CPC' position as one of the world's best chocolate producers, was reconfirmed at the Monde Selection competition held in Paris, France. (www.goldentreeghana.com)

3.3.3 PRODUCE BUYING COMPANY

The company was incorporated on November 13, 1981 but dates much earlier as the then produce department of the Ghana Cocoa Board. It was listed on the exchange on May 17,

2000.its authorized number of shares; one special right redeemable preference share of no par value (Golden Cocoa Share) 20 billion ordinary shares of no par value, issued number of shares; one special right preference share 480 million ordinary shares, stated capital was 49.144 billion. Government of Ghana and the Social Security and National Insurance Trust (SSNIT) each hold 20% in PBC. (GSE Fact book, 2007)

NATURE OF BUSINESS

To purchase cocoa beans from farmers and to store them in purpose built sheds at village/society level, cart these to collection points for inspection, grading and sealing by the cocoa board's quality control department and eventually evacuate same to take over points of the cocoa marketing company. (GSE Fact book, 2007) .The company buys cocoa, coffee, sheanuts and sheanut butter from farmers and producers, store these and sells them to the Ghana Cocoa Board at a fixed price. It evolved from the produce department of the Ghana Cocoa Board

3.3.4 GHANA COMMERCIAL BANK

The company was incorporated on May 20, 1953 as a state owned organization but later converted to a public company on September 7, 1994. It was listed on the exchange on May 17, 1996. Its authorized number of shares was 1.5 billion, issued number of shares was 165 million, shares in treasury was 352 and stated capital of 120 billion. (GSE Fact book, 2007)

NATURE OF BUSINESS

Provides banking and related services nationwide. It is the largest indigenous bank with 149 branches nationwide. The objective among others is to support the private sector and facilitate

the nation's economic growth. GCB brings banking to the doorstep of existing and potential customers and extends credit facilities to the private sector. In line with its mission, GCB is committed to providing first class customer service and developing long lasting relationship with its publics. Currently, all branches are networked for efficiency. In consonance with GCB's motto-WE SERVE YOU BETTER, the bank is represented in all the ten regions and 170 districts of the nation in a bid to make banking accessible to all Ghanaians have a workforce of 2,158. (www.gcb.com.gh)

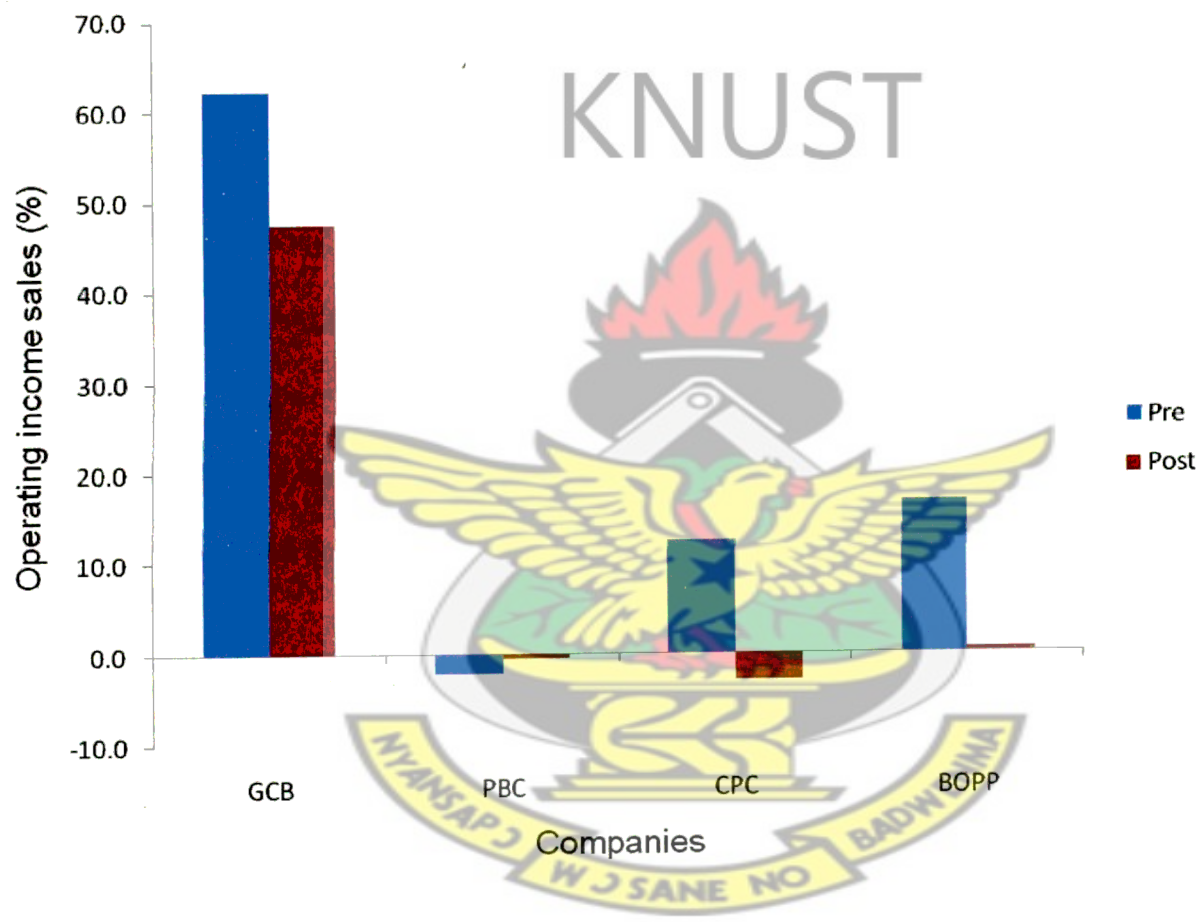
PRODUCTS AND SERVICE

Personal banking like current account, flex save account, overdraft and loan, kudi nkosuo account, ready cash atm, save and prosper account, saving account. Small Medium Enterprise (SME); SME banking. Corporate Service; corporate banking, international trade finance. Investment Service; call account, fixed deposit account, GCB share price, treasury bills. Money Transfer; GCBxpress money transfer, international service. (www.gcb.com.gh)

CHAPTER FOUR

4.0 DATA ANALYSIS, FINDINGS AND DISCUSSION

FIG.1



Statistically, at 95% confidence interval there was no significance ($P>0.05$) difference between pre operating sales (OISALES) or net profit margin (NPM) and post operating income sales (IOSALES) or net profit margin for produce buying company (PBC). The percentage on NPM

before enlistment on GSE was $-2.14\%(\pm 1.44)$ and the post enlistment was $-0.16\%(\pm 1.70)$. See appendix A. From the graph above (fig.1), the pre and the post operating negative NPM, however, the pre enlistment had a higher negative NPM of -2.14% whereas the post enlistment had a negative NPM of -0.16% . From the above analysis, it shows that management had not control cost enough to generate profit from sales, however, after enlistment management had minimise cost.

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Statistically, at 95% confidence interval, there was a significance ($P < 0.05$) difference between pre OISALES or NPM and post OISALES or NPM for Ghana Commercial Bank (GCB). The OISALES for post enlistment had a mean percentage value of $34.5\%(\pm 12.6)$ and the pre enlistment had $62.2\%(\pm 10.0)$. See appendix B. From fig.1, the pre and post all increased but the pre enlistment had a higher NPM of 62.2% as compared to post enlistment of 34.5% . It shows that management had controlled cost to generate enough profit from sales before privatisation.

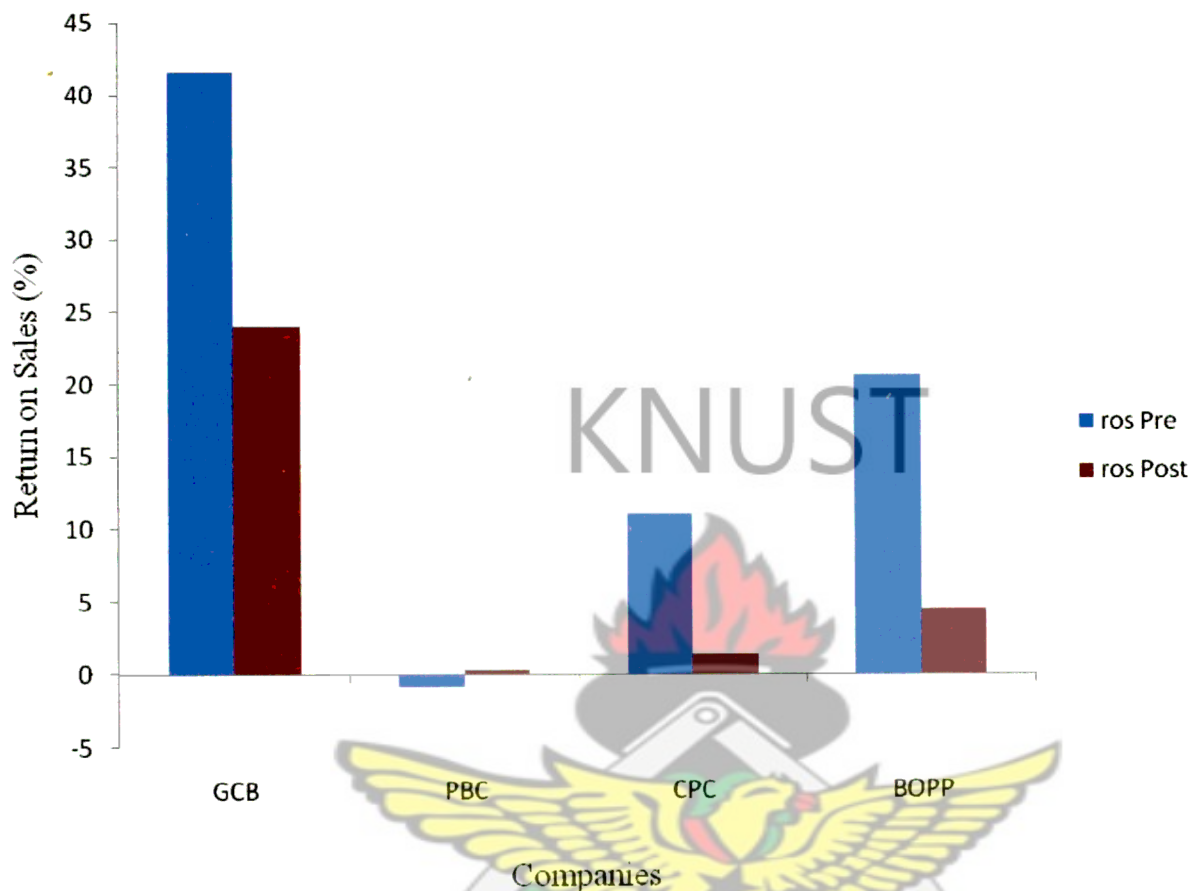
Statistically, at 95% confidence interval, there was a significance ($P < 0.05$) difference between the pre enlistment and post enlistment of OISALES or NPM for Cocoa processing company (CPC). The OISALES or NPM for pre enlistment had a percentage mean value of $16.16\%(\pm 8.14)$ and the post enlistment mean value of $-1.41\%(\pm 5.96)$. See appendix C. From the graph above (fig.1), the pre enlistment OISALES or NPM was higher than the post enlistment which was negative. The pre enlistment had 16.16% and the post enlistment had a negative NPM of -

1.41%, It shows that management had controlled cost to generate enough profit from sales before privatisation, however after privatisation, the company was not making profit.

Statistically, at 95% confidence interval, there was a significance ($P < 0.05$) difference between the pre enlistment and the post enlistment of OISALES or NPM for Benso oil palm plantation (BOPP). The pre enlistment had a percentage mean value of $15.39\% (\pm 3.53)$ and the post enlistment had a mean value of $1.44\% (\pm 3.80)$. See appendix D. From the above graph (fig.1), the pre enlistment NPM of 15.39% was higher than the post enlistment NPM of 1.49%. It shows that management had controlled cost to generate enough profit from sales before privatisation.



FIG.2



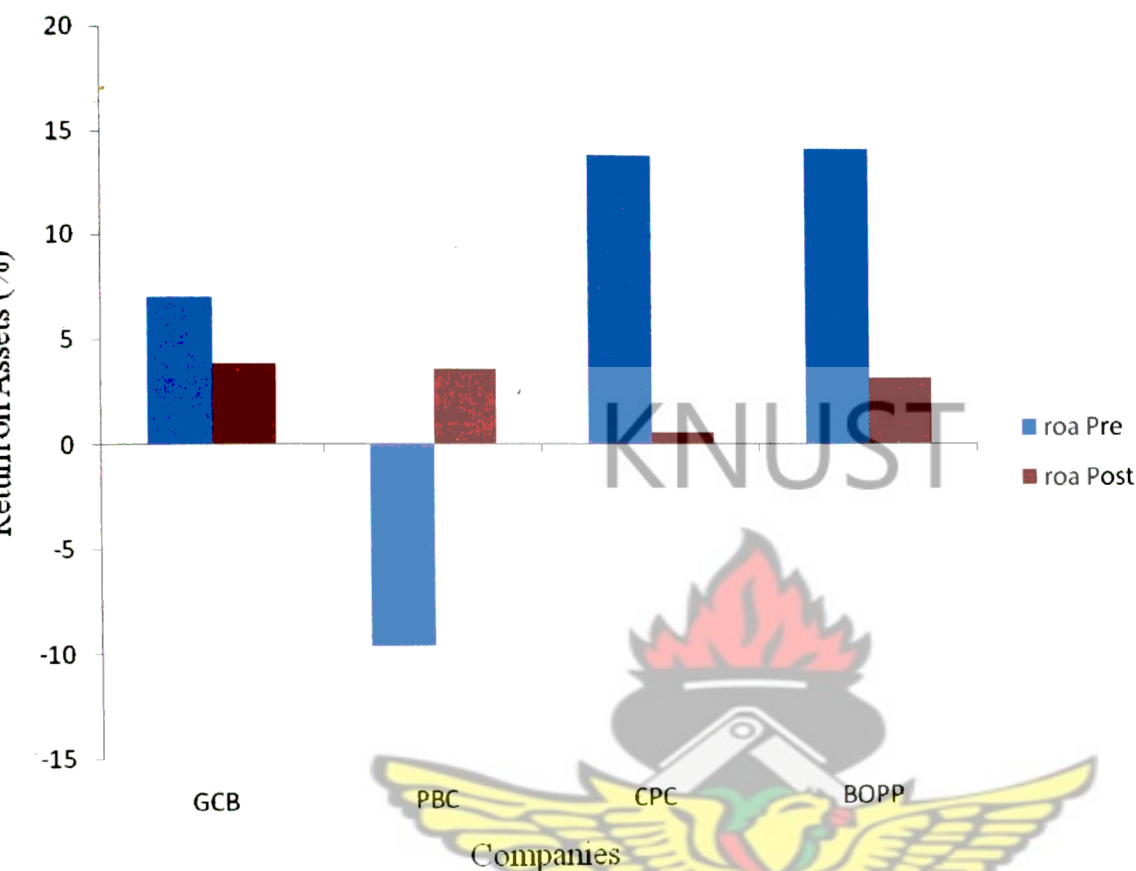
Statistically, at 95% confidence interval, there was no significance ($P>0.05$) difference between the pre enlistment return on sales and the post enlistment return on sales(ROS) for PBC. The post enlistment had a percentage mean valve of $0.32\%(\pm 1.15)$ and the pre enlistment had a mean valve of $-0.85\%(\pm 1.14)$. See appendix A. From fig.2, the post enlistment was higher than the pre enlistment, while the post enlistment was gradually picking up with a percentage of 0.32% as profit on sales, the pre enlistment had a negative of -0.85% on sales that was making loses.

Statistically, at 95% confidence interval, there was a significance ($P < 0.05$) difference between the pre enlistment on return on sales and post enlistment return on sales for GCB. The pre enlistment had a percentage mean value of 41.52 % (± 1.35) and post enlistment had a mean value of 24.01 % (± 7.06). See appendix B. From the above graph (fig.2), the difference between the pre and post was significance in that the pre enlistment was making profit by 41.52% as compared to the post enlistment of 24.01%

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between the pre return on sales (ROS) and the post return on sales (ROS) for CPC. The pre enlistment had a percentage mean value of 11.11% (± 9.04) and the post enlistment had a percentage mean value of 1.36% (± 1.62). See appendix C. From the graph above (fig.2), the pre and post enlistments all operate positively; however, there was a significance difference between the pre and the post. The pre enlistment had a percentage of 11.11% on sales as profit and the post had a percentage of 1.36% on sales as profit.

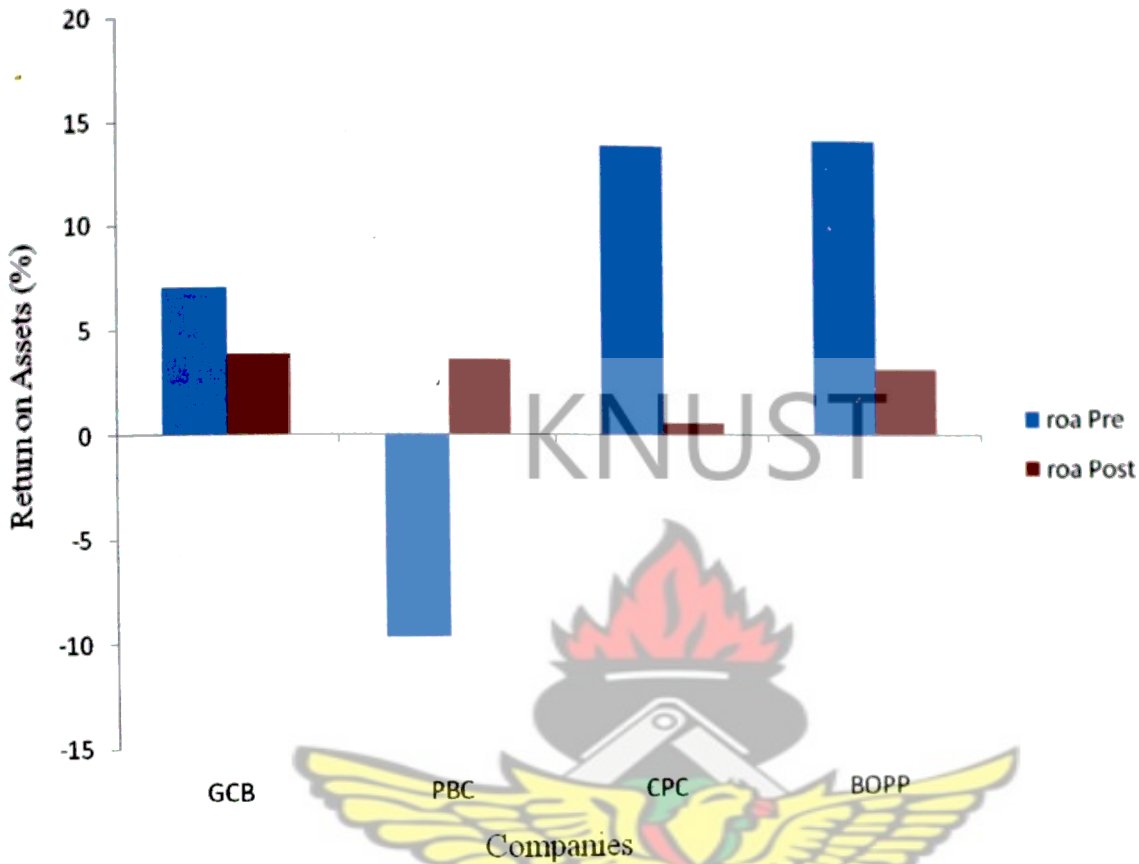
Statistically, at 95% confidence interval, there was a significance ($P < 0.05$) difference between the pre enlistment ROS and post enlistment ROS for BOPP. The pre ROS had a percentage mean value of 20.80 % (± 2.72) and the post ROS had a percentage mean value of 4.46 % (± 2.85). See appendix D. From the graph above (fig.2), the pre and post were all operating on positive returns but the difference between the pre and the post was significance. The pre had percentage of 20.8% as return on sales and the post had a percentage of 4.46% as return on sales.

FIG.3



istically, at 95% confidence interval, there was no significance ($P>0.05$) difference between pre return on asset(ROA) and the post return on asset(ROA) for PBC. The post enlistment A had a percentage mean valve of $3.5\%(\pm 11.8)$ and the pre enlistment ROA had a percentage mean valve of $-9.7\%(\pm 12.3)$. See appendix A. From fig.3, the pre and the post return on asset shows no significance difference, the pre enlistment operates negative on ROA with -9.7% and the post enlistment operates positive ROA with 3.5% . Its means post enlistment was generating sales than the pre enlistment with a negative return on asset.

FIG.3



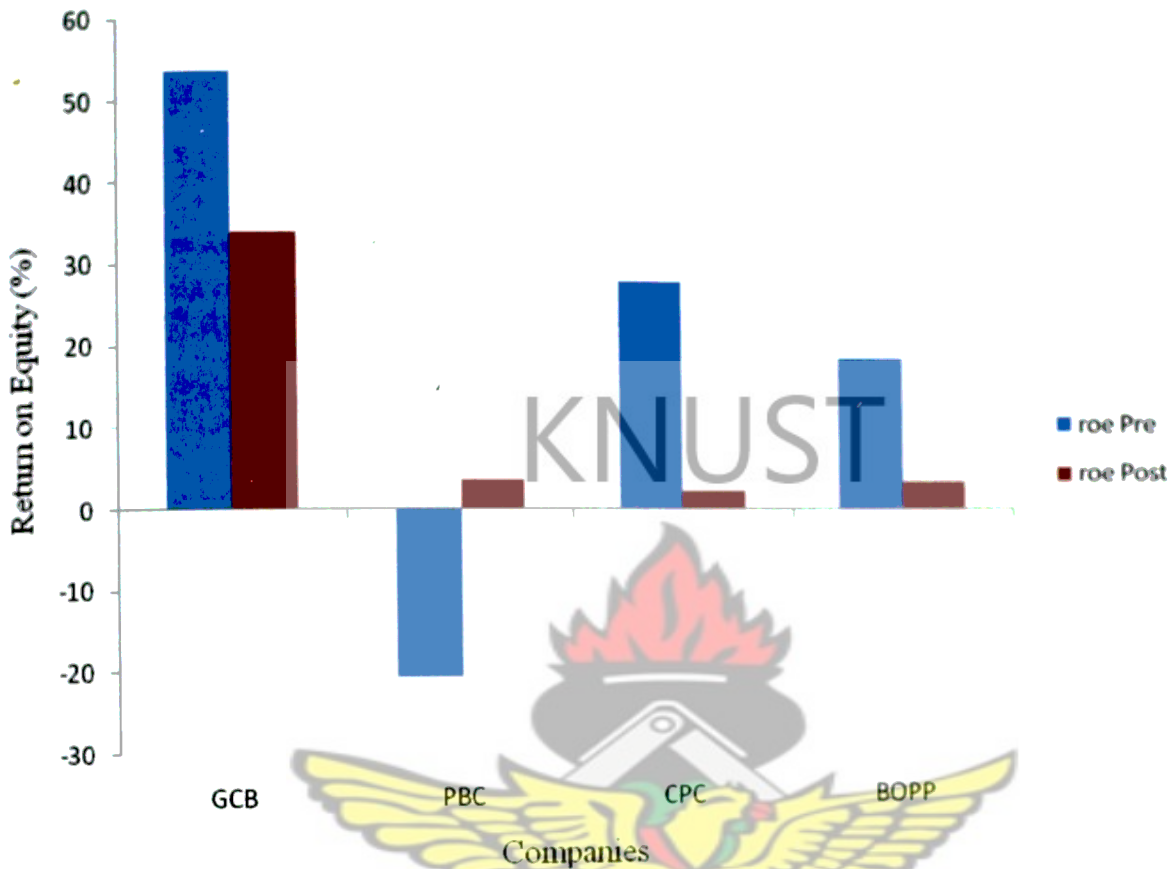
Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre return on asset (ROA) and the post return on asset (ROA) for PBC. The post enlistment ROA had a percentage mean value of $3.5\% (\pm 11.8)$ and the pre enlistment ROA had a percentage mean value of $-9.7\% (\pm 12.3)$. See appendix A. From fig.3, the pre and the post return on asset shows no significance difference, the pre enlistment operates negative on ROA with -9.7% and the post enlistment operates positive ROA with 3.5% . Its means post enlistment asset was generating sales than the pre enlistment with a negative return on asset.

Statistically, at 95% confidence interval, there was a significance ($P < 0.05$) difference between the pre return on asset and post return on asset for GCB. The pre enlistment had a percentage mean value of 6.97% (± 0.612) and the post had a percentage mean value of 3.84% (± 1.47). See appendix B. From fig.3 on ROA for GCB, the pre and the post ROA increased, however, there was a significance difference between the pre ROA and the post ROA. The pre ROA was higher than the post ROA. The pre ROA had a percentage of 6.97% as return generated by asset as against 3.84% for post enlistment.

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between the pre enlistment ROA and post enlistment ROA for CPC. The pre enlistment had a percentage mean value of 13.9% (± 13.1) and the post enlistment had a percentage mean value of 0.54% (± 0.83). See appendix C. From the graph (fig.3) on ROA for CPC, there was a significance difference between the pre and post. The pre enlistment asset was generating returns than the post enlistment with 13.9% and 0.54% respectively.

Statistically, at 95% confidence interval, there was a significance ($P < 0.05$) difference between the pre enlistment ROA and post enlistment ROA for BOPP. The pre ROA had a percentage mean value of 14.33% (± 4.59) and the post ROA had a percentage mean value of 3.15% (± 2.02). See appendix D. From fig.3 on ROA for BOPP, there was significance difference between the pre and post enlistments. The pre ROA was higher by 14.33% as against the post ROA of 3.15%.

FIG.4



Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre return on equity (ROE) and post return on equity (ROE) for PBC. The post enlistment had a percentage mean value of $3.6\% (\pm 35.3)$ and pre enlistment percentage mean value of $-20.6\% (\pm 18.2)$. See appendix A. From fig. 4 on ROE for PBC, the difference between the pre and post was insignificant, however, pre enlistment had a negative ROE with a percentage of -20.6% while the post had a positive ROE with a percentage of 3.6% , it means the post

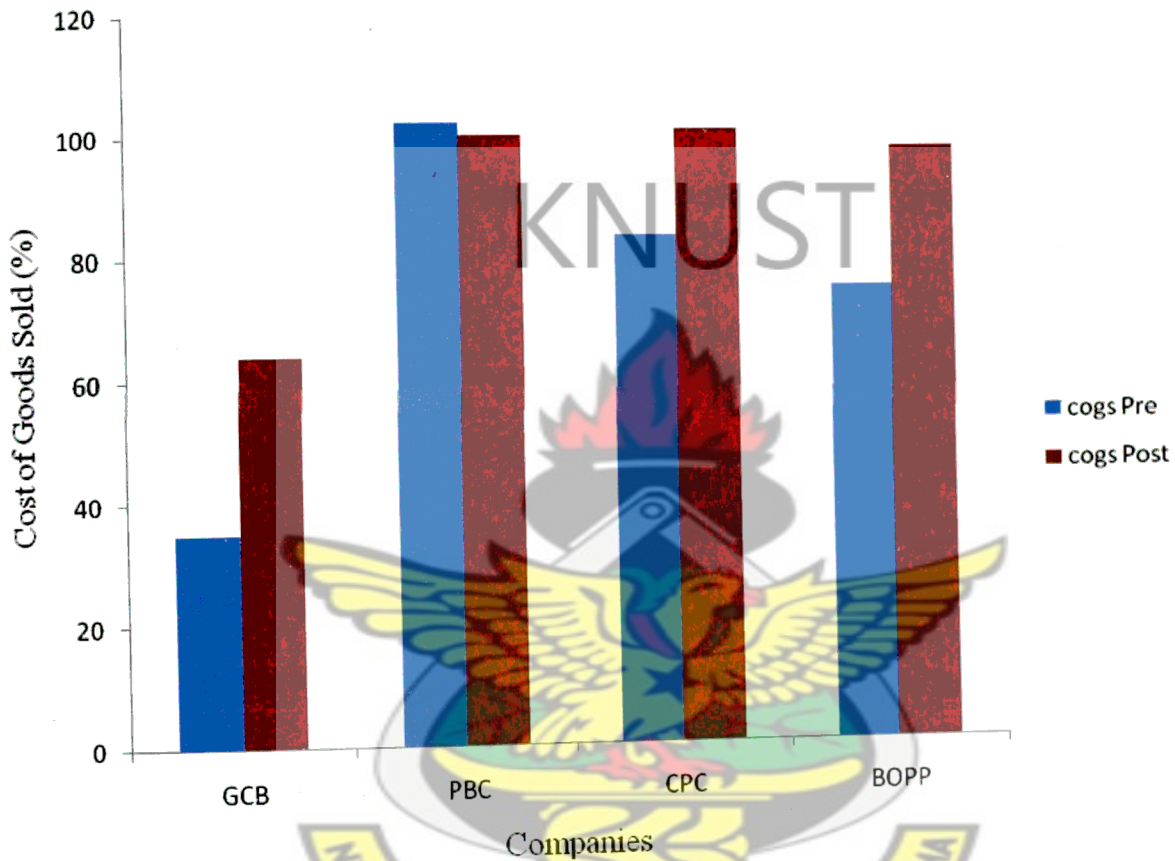
enlistment earning attributed to ordinary shareholders was better than the pre enlistment with a negative earnings.

Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre ROE and post ROE for GCB. The pre ROE had a percentage mean value of 53.45% (± 7.38) and post ROE had a percentage mean value of 33.9% (± 14.0). See appendix B. From fig.4, the difference between the pre and post ROE was insignificance. The pre enlistment had a percentage of 53.45% on earnings for shareholders as against 33.9% for post enlistment.

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between the pre enlistment ROE and post enlistment ROE for CPC. The pre had a percentage mean value of 28.1% (± 22.6) and post enlistment had 2.31% (± 3.04). See appendix C. From the graph above (fig.4), the difference between the pre and post enlistment was significance. The pre enlistment return on equity was higher than the post enlistment with 28.1% as against 2.31% respectively.

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between the pre ROE and post ROE for BOPP. The pre ROE had a percentage mean value of 18.78% (± 9.17) and the post ROE percentage mean value of 3.44% (± 2.21). See appendix D. From fig.4 on ROE for BOPP, the difference between the pre enlistment and post enlistment was in that pre shareholders earning was higher than the post enlistment with 18.78% as against 3.44%.

FIG.5



Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre enlistment and post enlistment for PBC. The pre cost of goods sold/sales (cogs) had a percentage mean value of $102.14\% (\pm 1.44)$ and post cost of goods sold/sales had a percentage mean value of $100.16\% (\pm 1.70)$. See appendix A. From the above graph (fig. 5), the difference between the pre cogs and post cogs was insignificant, even though there was a slight change but not significant. The pre cogs had higher cost of 102.14% as against post of 100.16% , it means

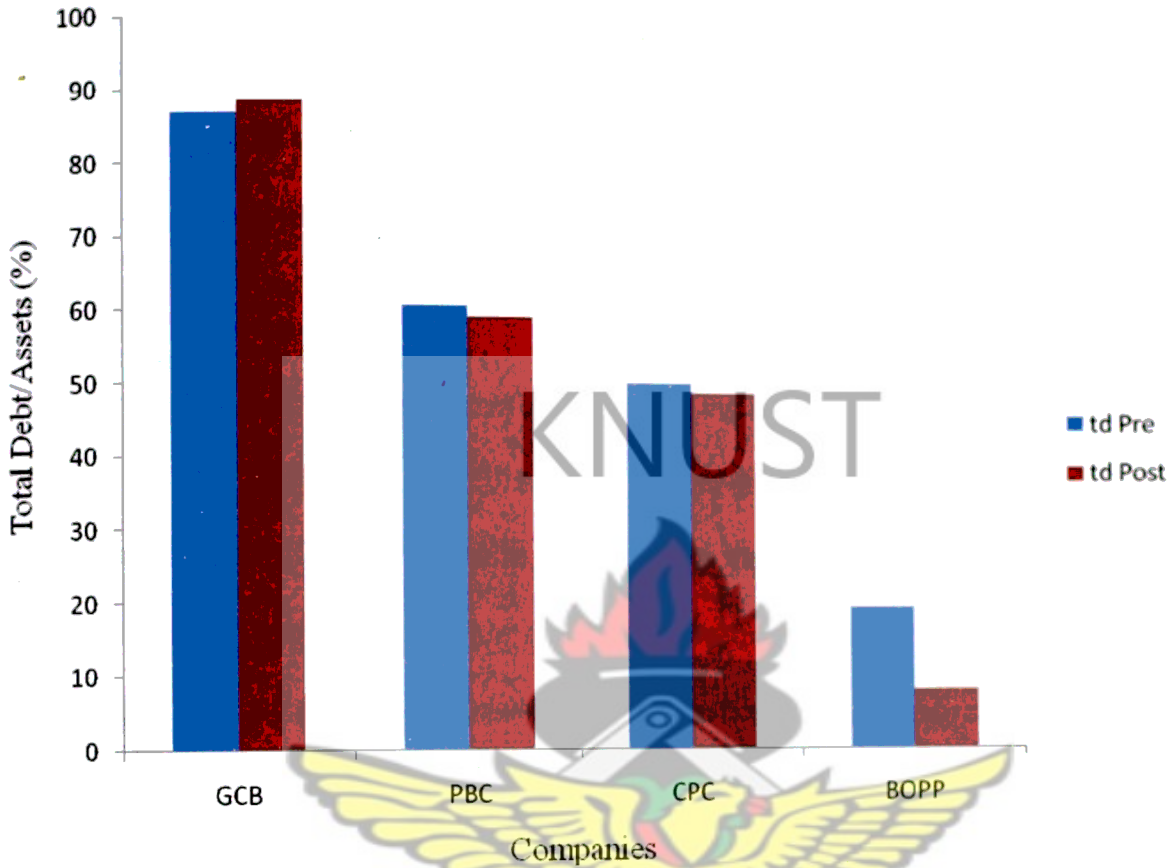
post enlistment had been minimising cost of the business as compared to the pre enlistment with high cost,

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between the pre cogs and post cogs for GCB. The post cogs had a percentage mean value of 63.7% (± 13.3) and pre cogs had 34.94% (± 5.63). See appendix B. From fig. 5, the difference between the pre cogs and post cogs was significance. The post cogs was higher than the pre cogs with 63.7% and 34.94% respectively. It means pre enlistment period, cost of the business was minimised as compared to the post enlistment.

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between pre cogs and post cogs for CPC. The post cogs had a percentage mean value of 101.31% (± 5.99) and pre cogs had a percentage mean value of 83.84% (± 8.14). See appendix C. From the graph above (fig. 5), the difference between the pre cogs and post cogs was significance. The post cogs was higher than the pre cogs with 101.31% as against 83.84%, it means pre enlistment cogs had been minimised by 83.84% as against 101.31% for post enlistment.

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between the pre cogs and post cogs for BOPP. The post cogs had a percentage mean value of 98.56% (± 3.80) and pre cogs of 75.6% (± 10.6). See appendix D. From the above graph (fig. 5), the difference between the pre cogs and post cogs was significance. The post cogs was higher than the pre cogs with 98.56% and 75.6% respectively. This shown how management had minimised cost of the business to sales before privitisation.

FIG.6



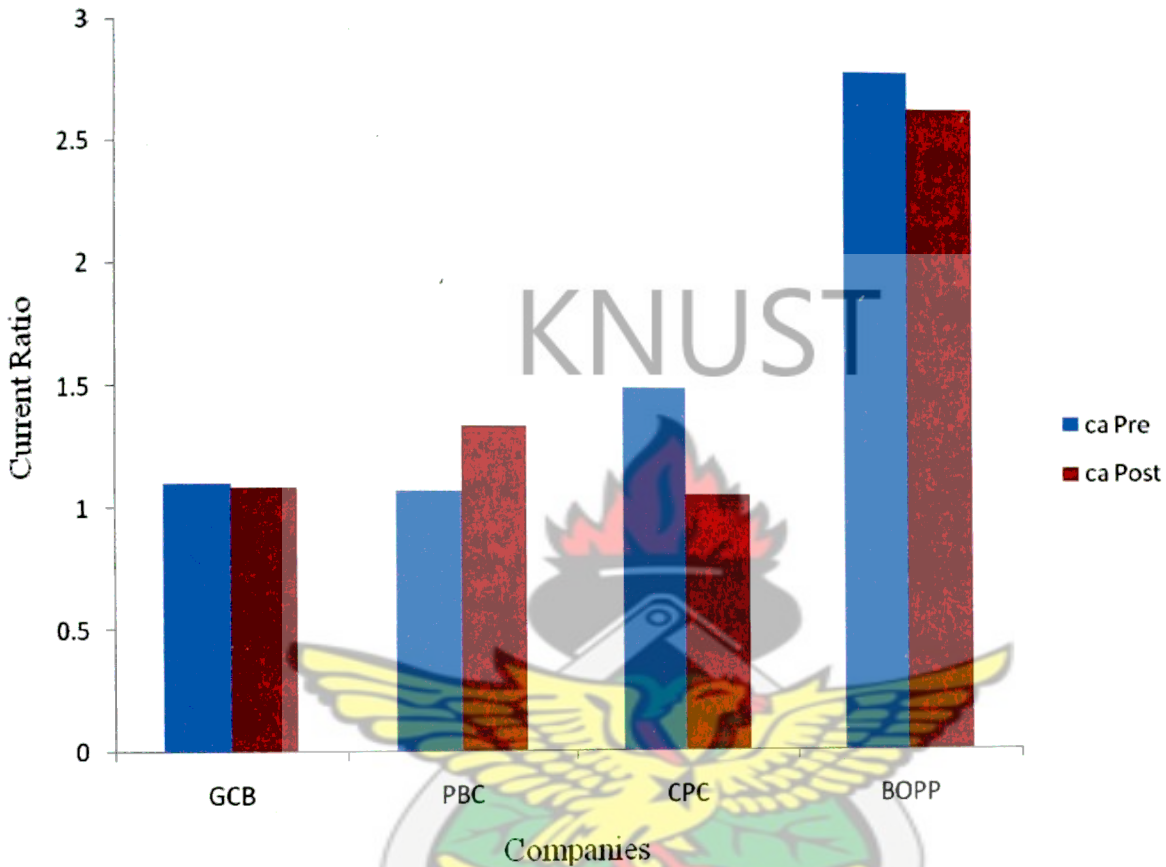
Statistically, at 95% confidence interval, there was no significant ($P > 0.05$) difference between the pre total debt/total asset (td) or debt ratio and post total debt/total asset (td) or debt ratio for PBC. The pre td had a percentage mean value of $60.8\% (\pm 20.9)$ and post td had a percentage mean value of $59.2\% (\pm 23.2)$. See appendix A. From fig. 6, the difference between the pre and post td was insignificant, the pre was slightly above the post with 60.8% and 59.2 respectively. It means the pre enlistment had asset financed by debt more than the post enlistment.

Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre td and post td for GCB. The post td had a percentage mean value of 88.39% (± 1.80) and pre td had 86.86% (± 1.36). See appendix B. From the above graph (fig.6), the difference between the pre td and post td was insignificant but the post td was higher than the pre td with 88.39% and 86.86% respectively. The post enlistment had assets financed by debts more than the pre enlistment.

Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre td and post td for CPC. The pre td had a percentage mean value of 50.3% (± 12.3) and post td had 49.0% (± 32.0). See appendix C. From fig.6, the difference between the pre and post was insignificant even though the pre was slightly above the post with 50.3% and 49% respectively. It means the pre enlistment had asset financed by debt more than the post enlistment.

Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre td and post td for BOPP. The pre td had a percentage mean value of 19.7% (± 10.7) and post td had 8.31% (± 1.96). See appendix D. From the above graph (fig.6), the difference between the pre td and post td was insignificant even though the change was marginal where the pre was higher than the post td with 19.7% and 8.31% respectively. It means the pre enlistment had asset financed by debt more than the post enlistment.

FIG.7



Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between pre current ratio and post current ratio for PBC. The post current ratio was $1.336(\pm 0.324)$ and pre current ratio was $1.069(\pm 0.086)$. See appendix A. The ratio for post was 1.3:1 which was higher than the pre ratio of 1.1:1. From the above graph (fig. 7), the difference between the pre current ratio and post current ratio was insignificant. The post ratio shows that the firm has 1300 worth of current asset as against 1000 worth of current liability to meet the day to day

expenses, while the pre ratio has 1100 worth of current asset as against 1000 worth of current liability.

Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between pre CR and post CR for GCB. The pre CR had $1.097(\pm 0.0439)$ and post CR had $1.079(\pm 0.0646)$. See appendix B. The current ratio for the pre was 1.097:1 and the post was 1.079:1

From the above graph (fig. 7), the difference between the pre CR and post CR was insignificant, the pre ratio of 1.097:1 was higher than the post ratio of 1.079:1. The pre and post can meet their day to day expenses because their current assets more than their current liability.

Statistically, at 95% confidence interval, there was significance ($P < 0.05$) difference between the pre current ratio and post current ratio for CPC. The pre CR was $1.499(\pm 0.268)$ and the post CR was $1.060(\pm 0.272)$. See appendix C. The CR for pre was 1.499:1 and for post was 1.060:1. From the graph above (fig. 7), the difference between the pre and post was significance. The change was marginal for the pre as against the post. Even though the pre and post can meet their day to day expenses, the pre current asset is more than the post current asset.

Statistically, at 95% confidence interval, there was no significance ($P > 0.05$) difference between the pre CR and post CR for BOPP. The pre CR was $2.82(\pm 1.63)$ and post CR was $2.663(\pm 0.319)$. See appendix D. The current ratio for pre was 2.82:1 and post was 2.663:1. From the graph above (fig. 7), the difference between the pre CR and post CR was insignificant. The pre and post can meet their day to day expenses twice the amount of their current liability.

4.1 HYPOTHESIS TESTING AND OTHER RESEARCH QUESTIONS

Four ratios were used in testing profitability; operating income sales(OISALES) or NPM, return on sales (ROS), return on assets(ROA) and return on equity (ROE). The T test results in appendice A,B,C and D show that OISALES for GCB,CPC and BOPP shown a significance difference between the pre enlistment and post enlistment according to the T test done with the statistical minitab 15 software while PBC shows no significance difference between the pre and post. The pre enlistment profitability for GCB, CPC and BOPP is not less than the post enlistment profitability($Pre > Post$), therefore, the null hypothesis H_0 needs to be rejected and accept the alternative hypothesis(H_1). The pre enlistment profitability of PBC is less than the post enlistment profitability of PBC($Pre < Post$), then the alternative hypothesis(H_1) should be rejected and the null hypothesis(H_0) should be accepted.

Appendice A,B,C and D show that return on sales (ROS) for GCB,CPC, and BOPP show a significance difference between the pre and post enlistments while PBC shows no significance difference between the pre and post enlistments. The pre enlistment profitability for GCB,CPC and BOPP is not less than the post enlistment profitability($Pre > Post$), therefore the null hypothesis(H_0) is rejected and accept the alternative hypothesis(H_1). The pre enlistment profitability of PBC is less than the post enlistment profitability($Pre < Post$), then alternative hypothesis(H_1) should be rejected and null hypothesis (H_0) should be accepted.

Appendice A,B,C and D for return on assets(ROA) shown that there were significance difference between the pre and post for GCB,CPC and BOPP, while PBC shows no significance difference according to the T test done with statistical minitab 15 software. The pre enlistment profitability for GCB,CPC and BOPP is not less than the post enlistment

profitability($Pre > Post$), therefore, the null hypothesis(H_0) is to be rejected and the alternative hypothesis(H_1) accepted. The pre enlistment profitability of PBC is less than the post enlistment profitability($Pre < Post$), accept the null hypothesis(H_0) and reject the alternative hypothesis(H_1).

Appendice A,B,C and D shown that return on equity(ROE) that there were significance difference between the pre and post for CPC and BOPP while PBC and GCB shown no significance difference according to the T test done. The pre enlistment profitability for GCB, CPC and BOPP is not less than the post enlistment profitability($Pre > Post$), therefore, reject the null hypothesis(H_0) and accept the alternative hypothesis(H_1). The pre enlistment profitability of PBC is less than the post enlistment profitability($Pre < Post$), accept the null hypothesis(H_0) and reject the alternative hypothesis(H_1).

Public flotation through stock markets is the “easiest and most efficient way” of broadening local ownership in former state-owned enterprises, according to a 1999 working paper of the UN Economic Commission for Africa. By offering shares to local people, stock market flotation's can help make otherwise unpopular privatization programmes somewhat more politically palatable. Such programmes nevertheless remain controversial. Unions point to the frequent loss of jobs and benefits once firms are privatized, while intellectuals and business groups often decry the increase in foreign ownership of national assets (see Africa Recovery, April 2000). Seeking to counter such negative perceptions, privatization advocates note that governments can invest the revenues earned from state enterprise sales in industrial research and development, health, education, and roads, communications and other infrastructure. The Government of Ghana recognizes that attracting foreign direct investment requires an enabling legal environment, and has passed laws that encourage foreign investment and

replaced some that previously stifled it. The Ghana Investment Promotion Center (GIPC) Act, 1994 (Act 478), governs investment in all sectors of the economy except minerals and mining, oil and gas, and the free zones. Sector-specific laws further regulate banking, non-banking financial institutions, insurance, fishing, securities, telecommunications, energy, and real estate. Foreign investors are required to satisfy the provisions of the investment act as well as the provisions of sector-specific laws. In general, the GIPC has streamlined procedures and reduced delays. www.gipc.org.gh.

The GIPC law also applies to foreign investment in acquisitions, mergers, takeovers and new Investments, as well as to portfolio investment in stocks, bonds, and other securities traded on the Ghana Stock Exchange. The GIPC law specifies areas of investment reserved for Ghanaians, such as small-scale trading, operation of taxi services (except when a non-Ghanaian has a fleet of at least 10 vehicles), pool betting businesses and lotteries (except soccer pools), beauty salons and barber shops. The law further delineates incentives and guarantees that relate to taxation, transfer of capital, profits and dividends, and guarantees against expropriation. There are several benefits to be derived from SOEs listed on the stock exchange including: greater transparency of the operations of such enterprises and higher tax revenue for the state; contribution of such companies to the vibrancy and growth of Ghana's capital market and consequent further attraction of foreign direct investment; and wealth creation for the citizenry which citizenry are likely to identify more with such enterprises because of their shareholding status.

Access to capital is essential for a business to grow. During the early stages of a business' development only small amounts of money may be needed, and this might be adequately covered by reinvesting profits, by borrowing money from friends and family, or through bank

loans. But a successful business will eventually need to invest larger amounts of money to grow. Friends and family are unlikely to be of help with the amounts of money needed, and banks may be unwilling to lend enough for a long term, or may charge high levels of interest which reduces the benefit of the loan and leaves the company with a long-term debt. Banks will also ask for collateral which entrepreneurs may not be able to provide.

The Government faces similar problems, and on a much larger scale, when finding the money to invest in the country's social and economic infrastructure- roads, hospitals, power and water, for example. Borrowing abroad creates foreign debt, so it is preferable to find domestic sources of funding. the Stock Market offers both businesses and government a very effective way of accessing these higher levels of investment by being able to raise cash from the public or from institutions such as insurance companies.



CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

This research examines the performance for SOEs before and after listed on the GSE of four companies privatized through public share offering. Are SOEs better off after being listed on the GSE? Based on the statistical analysis, company's performance in post listing years were sharply lower than the once in the pre enlistment. Public listing is a key and unique reform measure for SOEs in Ghana. Using data set that contains both pre and post financial statement on publicly listed firms on GSE. The researcher explore the effect of public listing on GSE. The study find out that using public listing as a means to reform SOEs has not worked any wonders. Moreover, the effect of public listing on performance are not significantly affected by the percentage of state shares. The GSE helped companies to grow, in that businesses will need to invest large amount of money to grow. Friends and family members are unlikely to be of help with the amount of money needed and a bank may be unwilling to lend enough for a long term or charge high level of interest which reduces the benefit of the loan and leaves the company with a long term debt or ask for a collateral, however, GSE helps to provide such higher level of investment by raising cash from the public or institution to invest. However, for GCB, CPC and BOPP on ROS and NPM were significance difference between the pre and post enlistment, the pre enlistment were greater than the post enlistment, while the difference between the pre and post for PBC was insignificance but the post enlistment was slightly above the pre enlistment. It also helps companies to raise additional equity capital through right issues like GCB. The company's aim of going public on the GSE was to raise long term capital or enough money which the banks refuse to lend. The stock exchange helps to provide such huge or higher level of investment by raising cash from the public or institutions. GCB raised ₵34,219.24m from

Feb.-Mar.1996,CPC raised €134,605m,BOPP raised €69,660 and PBC raised €92m. This research examines the financial and operating performance of four(4)SOEs listed on the GSE through public shares offering between 1993-2007 for GCB, 1997-2007 for PBC,1997-2007 for CPC , and 1999-2007 for BOPP .Using T test analysis for pre and post privatisation comparisons to find profitability,leverage,efficiency or liquidity and also to test hypothesis on the various profitability;OISALES,ROS,ROA and ROE,with the exception of PBC,the null hypothesis(H_0) for GCB,CPC and BOPP were rejected and the alternative hypothesis(H_1) accepted,in that the pre enlistment is not less than the post enlistment($Pre > Post$),meaning the pre enlistment profitabilities were higher than the post enlistment,while PBC shows that the post enlistment was higher than the pre enlistment. The various ratios also shown the following;OISALES for GCB,CPC and BOPP shown a significance difference between the pre and post while PBCshows no significance difference.Pre enlistment OISALES for GCB,CPC and BOPP were higher than the post enlistment.ROS,ROA and ROE followed the same tread like OISALES.COGS for GCB,CPC ,BOPP shown a significance difference,where their post enlistment were higher than the pre enlistment while PBC shows no significance difference,however,the pre was slightly above the post.TD for PBC,GCB,CPC,BOPP shown no significance difference,however,the pre enlistment for PBC,CPC,BOPP were all greater than the post enlistment,while GCB post enlistment was greater than the pre enlistment.Current ratio for PBC,CPC,BOPP shown no significance difference while GCB shows a significance difference between the pre and post.The pre enlistment for GCB,CPC,BOPP were greater than the post enlistment while PBC post enlistment was greater than the pre enlistment. The stock exchange provides opportunity for companies to to raise additional capital by right issue,for example

GCB raised additional capital of GHc60m from right issue and reviewed and approved mergers on the stock exchange for companies.

Analysis performed using statistical T test from Minitab 15 statistical software to compare the pre and post performance. Analysis of the data revealed that OISALES for GCB, CPC and BOPP shown a significance difference between the pre and post while PBC shown no significance difference. ROS,ROA^oand ROE followed the same tread like OISALES.COGS for GCB,CPC,BOPP shown a significance difference between the pre and post performance while PBC shown no significance difference.TD for PBC,GCB,CPC and BOPP shown no significance difference.CR for PBC,GCB,BOPP shown no significance difference while CPC shown significance difference.

Profitability

Profitability is the most important to measure the performance of firms. As expected the result of our study show that all profitability ratios for ROS, ROA, ROE and IOSALES for GCB, CPC, and BOPP shown a significance difference between the pre and post, on the contrary, PBC shown no significance difference.Pre enlistment profitability for IOSALES, ROS, ROA and ROE was higher than the post enlistment. However, post enlistment for PBC was higher than the pre enlistment. Therefore, PBC was better off after privatization on the stock exchange as compared to GCB, CPC and BOPP.

Leverage/Liquidity

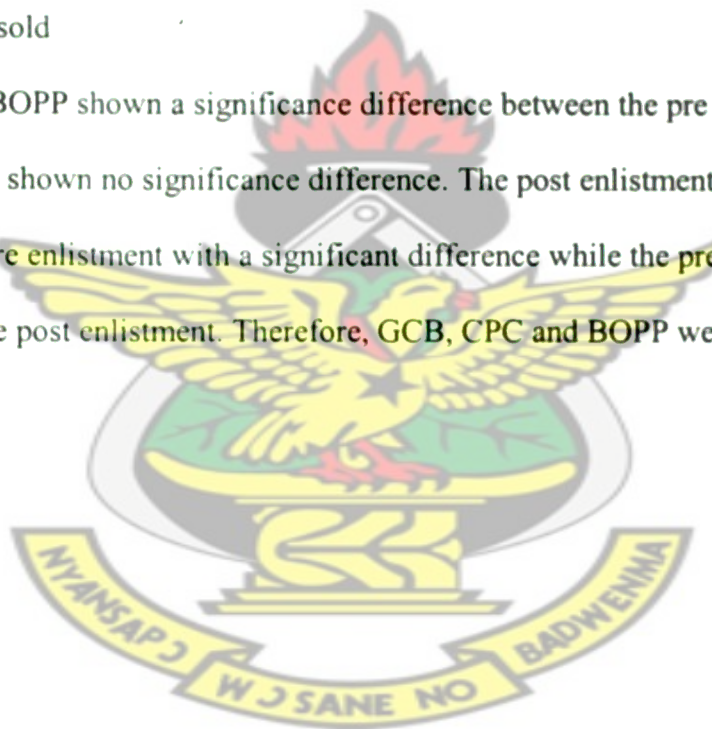
To measure the effect of privatization on the leveraging of firms, total debt to total assets (TD) of pre and post privitisation.Many scholars believe that leverage is reduced following privatization due to a combination of greater retain earning and new share offerings. In the case

of the research, a decline in leverage for CPC, BOPP and PBC as compared to GCB with high leverage but statistically the differences were insignificant. Therefore GCB was better off after privatization.

Current ratio(CR) for PBC,GCB,BOPP shown no significance difference while CPC shown significance difference.GCB and BOPP pre enlistment higher than the post enlistment even though the change was insignificant.PBC had post enlistment higher than the pre enlistment,however,CPC had pre enlistment higher than the post enlistment with a significant difference.Therefore,PBC was better off after privatization.

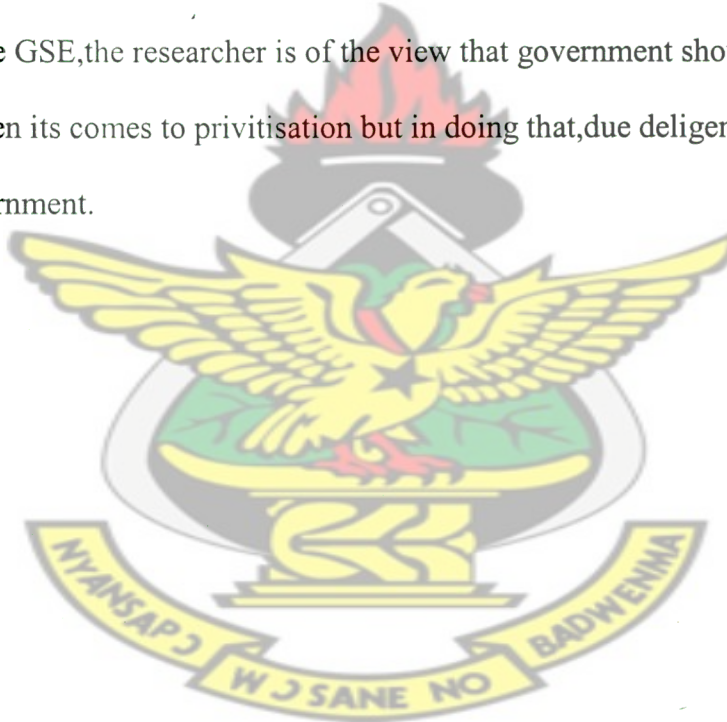
Ratio of Cost of goods sold

COGS for GCB, CPC, BOPP shown a significance difference between the pre and post performance while PBC shown no significance difference. The post enlistment for GCB, CPC, BOPP higher than the pre enlistment with a significant difference while the pre enlistment for PBC was higher than the post enlistment. Therefore, GCB, CPC and BOPP were better off after privatization.



5.1 RECOMMENDATION

In spite of the heavy investment on state owned enterprises(SOEs) after independent,the SOEs failed to achieved the objectives for which they were set up,but to address these problems facing the SOEs,the divestiture programme was launed in 1988,it was aim at reducing the size of the public sector and to improve the performance.The study was initiated to examine the performance of state owned enterprises listing on the GSE.The findings of the study indicated a significance different between the pre entistment period and the post enlistment period,where the pre enlistment was higher than the post enlistment.Moreso,because SOEs were not performing well on the GSE,the researcher is of the view that government should go in for a strategic investors when its comes to privitisation but in doing that,due deligent should be the hall mark of the government.



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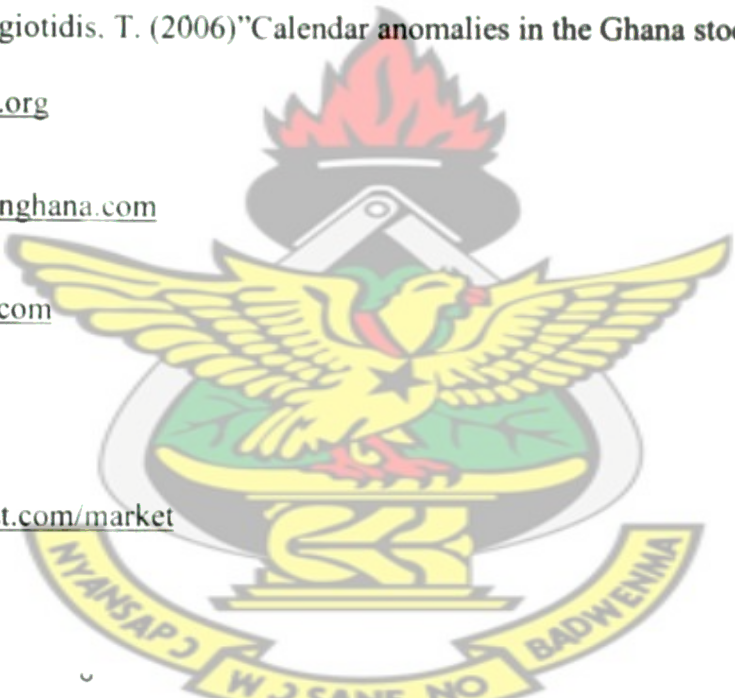
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APPENDICES

APPENDIX A FOR PBC

Two-Sample T-Test and CI: OISale Pre, OISale Post (npm)

Two-sample T for OISale Pre vs OISale Post

	N	Mean	StDev	SE Mean
OISale Pre	3	-2.14	1.44	0.83
OISale Post	8	-0.16	1.70	0.60

Difference = μ (OISale Pre) - μ (OISale Post)

Estimate for difference: -1.97

95% CI for difference: (-4.49, 0.54)

T-Test of difference = 0 (vs not =): T-Value = -1.77 P-Value = 0.110 DF = 9

Both use Pooled StDev = 1.6428

APPENDIX A FOR PBC

Two-Sample T-Test and CI: ros Pre, ros Post (return on sales)

Two-sample T for ros Pre vs ros Post

	N	Mean	StDev	SE Mean
ros Pre	3	-0.85	1.14	0.66
ros Post	8	0.32	1.15	0.41

Difference = μ (ros Pre) - μ (ros Post)

Estimate for difference: -1.163

95% CI for difference: (-2.922, 0.597)

T-Test of difference = 0 (vs not =): T-Value = -1.49 P-Value = 0.169 DF = 9

Both use Pooled StDev = 1.1488

APPENDIX A FOR PBC

Two-Sample T-Test and CI: roa Pre, roa Post (return on asset)

Two-sample T for roa Pre vs roa Post

	N	Mean	StDev	SE Mean
roa Pre	3	-9.7	12.3	7.1
roa Post	8	3.5	11.8	4.2

Difference = μ (roa Pre) - μ (roa Post)
Estimate for difference: -13.24
95% CI for difference: (-31.45, 4.98)
T-Test of difference = 0 (vs not =): T-Value = -1.64 P-Value = 0.135 DF = 9
Both use Pooled StDev = 11.8935

APPENDIX A FOR PBC
Two-Sample T-Test and CI: roe Pre, roe Post (return on equity)

Two-sample T for roe Pre vs roe Post

	N	Mean	StDev	SE Mean
roe Pre	3	-20.6	18.2	10
roe Post	8	3.6	35.3	12

Difference = μ (roe Pre) - μ (roe Post)
Estimate for difference: -24.2
95% CI for difference: (-73.6, 25.2)
T-Test of difference = 0 (vs not =): T-Value = -1.11 P-Value = 0.297 DF = 9
Both use Pooled StDev = 32.2818

APPENDIX A FOR PBC
Two-Sample T-Test and CI: cogs Pre, cogs Post (cost of goods sold/sales)

Two-sample T for cogs Pre vs cogs Post

	N	Mean	StDev	SE Mean
cogs Pre	3	102.14	1.44	0.83
cogs Post	8	100.16	1.70	0.60

Difference = μ (cogs Pre) - μ (cogs Post)
Estimate for difference: 1.97
95% CI for difference: (-0.54, 4.49)
T-Test of difference = 0 (vs not =): T-Value = 1.77 P-Value = 0.110 DF = 9
Both use Pooled StDev = 1.6428

APPENDIX A FOR PBC
Two-Sample T-Test and CI: td Pre, td Post (debt ratio)

Two-sample T for td Pre vs td Post

	N	Mean	StDev	SE Mean
td Pre	3	60.8	20.9	12
td Post	8	59.2	23.2	8.2

Difference = μ (td Pre) - μ (td Post)
Estimate for difference: 1.6
95% CI for difference: (-33.2, 36.4)
T-Test of difference = 0 (vs not =): T-Value = 0.10 P-Value = 0.920 DF = 9
Both use Pooled StDev = 22.7105

APPENDIX A FOR PBC
Two-Sample T-Test and CI: ca Pre, ca Post (current ratio)

Two-sample T for ca Pre vs ca Post

	N	Mean	StDev	SE Mean
ca Pre	3	1.0693	0.0864	0.050
ca Post	8	1.336	0.324	0.11

Difference = μ (ca Pre) - μ (ca Post)
Estimate for difference: -0.266
95% CI for difference: (-0.709, 0.176)
T-Test of difference = 0 (vs not =): T-Value = -1.36 P-Value = 0.206 DF = 9
Both use Pooled StDev = 0.2889

APPENDIX B FOR GCB

Two-Sample T-Test and CI: OISale Pre, OISale Post (npm)

Two-sample T for OISale Pre vs OISale Post

	N	Mean	StDev	SE Mean
OISale Pre	3	62.2	10.0	5.8
OISale Post	12	34.5	12.6	3.6

Difference = μ (OISale Pre) - μ (OISale Post)

Estimate for difference: 27.69

95% CI for difference: (10.63, 44.74)

T-Test of difference = 0 (vs not =): T-Value = 3.51 P-Value = 0.004 DF = 13

Both use Pooled StDev = 12.2289

APPENDIX B FOR GCB

Two-Sample T-Test and CI: ros Pre, ros Post (return on sales)

Two-sample T for ros Pre vs ros Post

	N	Mean	StDev	SE Mean
ros Pre	3	41.52	1.35	0.78
ros Post	12	24.01	7.06	2.0

Difference = μ (ros Pre) - μ (ros Post)

Estimate for difference: 17.51

95% CI for difference: (8.42, 26.60)

T-Test of difference = 0 (vs not =): T-Value = 4.16 P-Value = 0.001 DF = 13

Both use Pooled StDev = 6.5174

APPENDIX B FOR GCB

Two-Sample T-Test and CI: roa Pre, roa Post (return on asset)

Two-sample T for roa Pre vs roa Post

	N	Mean	StDev	SE Mean
roa Pre	3	6.970	0.612	0.35
roa Post	12	3.84	1.47	0.42

Difference = μ (roa Pre) - μ (roa Post)

Estimate for difference: 3.128

95% CI for difference: (1.211, 5.045)

T-Test of difference = 0 (vs not =): T-Value = 3.52 P-Value = 0.004 DF = 13
Both use Pooled StDev = 1.3749

APPENDIX B FOR GCB
Two-Sample T-Test and CI: roe Pre, roe Post (return on equity)

Two-sample T for roe Pre vs roe Post

	N	Mean	StDev	SE Mean
roe Pre	3	53.45	7.38	4.3
roe Post	12	33.9	14.0	4.0

Difference = mu (roe Pre) - mu (roe Post)
Estimate for difference: 19.54
95% CI for difference: (1.12, 37.96)
T-Test of difference = 0 (vs not =): T-Value = 2.29 P-Value = 0.039 DF = 13
Both use Pooled StDev = 13.2086

APPENDIX B FOR GCB
Two-Sample T-Test and CI: cogs Pre, cogs Post (cost of goods sold/sales)

Two-sample T for cogs Pre vs cogs Post

	N	Mean	StDev	SE Mean
cogs Pre	3	34.94	5.63	3.3
cogs Post	12	63.7	13.3	3.8

Difference = mu (cogs Pre) - mu (cogs Post)
Estimate for difference: -28.80
95% CI for difference: (-46.13, -11.46)
T-Test of difference = 0 (vs not =): T-Value = -3.59 P-Value = 0.003 DF = 13
Both use Pooled StDev = 12.4314

APPENDIX B FOR GCB
Two-Sample T-Test and CI: td Pre, td Post (debt ratio)

Two-sample T for td Pre vs td Post

	N	Mean	StDev	SE Mean
td Pre	3	86.86	1.36	0.78
td Post	12	88.39	1.80	0.52

Difference = mu (td Pre) - mu (td Post)
Estimate for difference: -1.54

95% CI for difference: (-3.96, 0.89)
T-Test of difference = 0 (vs not =): T-Value = -1.37 P-Value = 0.194 DF = 13
Both use Pooled StDev = 1.7390

APPENDIX B FOR GCB
Two-Sample T-Test and CI: ca Pre, ca Post (current ratio)

Two-sample T for ca Pre vs ca Post

	N	Mean	StDev	SE Mean
ca Pre	3	1.0971	0.0439	0.025
ca Post	12	1.0786	0.0646	0.019

Difference = mu (ca Pre) - mu (ca Post)
Estimate for difference: 0.0185
95% CI for difference: (-0.0677, 0.1047)
T-Test of difference = 0 (vs not =): T-Value = 0.46 P-Value = 0.651 DF = 13
Both use Pooled StDev = 0.0618

APPENDIX C FOR CPC
Two-Sample T-Test and CI: OISale Pre, OISale Post (npm)

Two-sample T for OISale Pre vs OISale Post

	N	Mean	StDev	SE Mean
OISale Pre	6	16.16	8.14	3.3
OISale Post	5	-1.41	5.96	2.7

Difference = mu (OISale Pre) - mu (OISale Post)
Estimate for difference: 17.56
95% CI for difference: (7.63, 27.50)
T-Test of difference = 0 (vs not =): T-Value = 4.00 P-Value = 0.003 DF = 9
Both use Pooled StDev = 7.2526

APPENDIX C FOR CPC

Two-Sample T-Test and CI: ros Pre, ros Post (return on sales)

Two-sample T for ros Pre vs ros Post

	N	Mean	StDev	SE Mean
ros Pre	6	11.11	9.04	3.7
ros Post	5	1.36	1.62	0.72

Difference = μ (ros Pre) - μ (ros Post)
Estimate for difference: 9.75
95% CI for difference: (0.40, 19.10)
T-Test of difference = 0 (vs not =): T-Value = 2.36 P-Value = 0.043 DF = 9
Both use Pooled StDev = 6.8259

APPENDIX C FOR CPC

Two-Sample T-Test and CI: roa Pre, roa Post (return on asset)

Two-sample T for roa Pre vs roa Post

	N	Mean	StDev	SE Mean
roa Pre	6	13.9	13.1	5.3
roa Post	5	0.543	0.831	0.37

Difference = μ (roa Pre) - μ (roa Post)
Estimate for difference: 13.41
95% CI for difference: (0.02, 26.80)
T-Test of difference = 0 (vs not =): T-Value = 2.27 P-Value = 0.050 DF = 9
Both use Pooled StDev = 9.7752

APPENDIX C FOR CPC

Two-Sample T-Test and CI: roe Pre, roe Post (return on equity)

Two-sample T for roe Pre vs roe Post

	N	Mean	StDev	SE Mean
roe Pre	6	28.1	22.6	9.2
roe Post	5	2.31	3.04	1.4

Difference = μ (roe Pre) - μ (roe Post)
Estimate for difference: 25.8

95% CI for difference: (2.5, 49.0)
T-Test of difference = 0 (vs not =): T-Value = 2.50 P-Value = 0.034 DF = 9
Both use Pooled StDev = 16.9906

APPENDIX C FOR CPC
Two-Sample T-Test and CI: cogs Pre, cogs Post (cost of goods sold/sales)

Two-sample T for cogs Pre vs cogs Post

	N	Mean	StDev	SE Mean
cogs Pre	6	83.84	8.14	3.3
cogs Post	5	101.31	5.99	2.7

Difference = μ (cogs Pre) - μ (cogs Post)
Estimate for difference: -17.47
95% CI for difference: (-27.42, -7.51)
T-Test of difference = 0 (vs not =): T-Value = -3.97 P-Value = 0.003 DF = 9
Both use Pooled StDev = 7.2650

APPENDIX C FOR CPC
Two-Sample T-Test and CI: td Pre, td Post (debt ratio)

Two-sample T for td Pre vs td Post

	N	Mean	StDev	SE Mean
td Pre	6	50.3	12.3	5.0
td Post	5	49.0	32.0	14

Difference = μ (td Pre) - μ (td Post)
Estimate for difference: 1.3
95% CI for difference: (-30.5, 33.1)
T-Test of difference = 0 (vs not =): T-Value = 0.09 P-Value = 0.930 DF = 9
Both use Pooled StDev = 23.2031

APPENDIX C FOR CPC
Two-Sample T-Test and CI: ca Pre, ca Post (current ratio)

Two-sample T for ca Pre vs ca Post

	N	Mean	StDev	SE Mean
ca Pre	6	1.499	0.268	0.11
ca Post	5	1.060	0.272	0.12

Difference = μ (ca Pre) - μ (ca Post)

Estimate for difference: 0.439
95% CI for difference: (-0.069, 0.809)
T-Test of difference = 0 (vs not =): T-Value = 2.69 P-Value = 0.025 DF = 9
Both use Pooled StDev = 0.2701

APPENDIX D FOR BOPP
Two-Sample T-Test and CI: OISale Pre, OISale Post (npm)
Two-sample T for OISale Pre vs OISale Post

	N	Mean	StDev	SE Mean
OISale Pre	5	15.39	3.53	1.6
OISale Post	4	1.44	3.80	1.9

Difference = μ (OISale Pre) - μ (OISale Post)
Estimate for difference: 13.95
95% CI for difference: (8.17, 19.73)
T-Test of difference = 0 (vs not =): T-Value = 5.71 P-Value = 0.001 DF = 7
Both use Pooled StDev = 3.6450

APPENDIX D FOR BOPP
Two-Sample T-Test and CI: ros Pre, ros Post (return on sales)

Two-sample T for ros Pre vs ros Post

	N	Mean	StDev	SE Mean
ros Pre	5	20.80	2.72	1.2
ros Post	4	4.46	2.85	1.4

Difference = μ (ros Pre) - μ (ros Post)
Estimate for difference: 16.34
95% CI for difference: (11.93, 20.74)
T-Test of difference = 0 (vs not =): T-Value = 8.78 P-Value = 0.000 DF = 7
Both use Pooled StDev = 2.7742

APPENDIX D FOR BOPP
Two-Sample T-Test and CI: roa Pre, roa Post(return on asset)

Two-sample T for roa Pre vs roa Post

	N	Mean	StDev	SE Mean
roa Pre	5	14.33	4.59	2.1
roa Post	4	3.15	2.02	1.0

Difference = μ (roa Pre) - μ (roa Post)
Estimate for difference: 11.18
95% CI for difference: (5.29, 17.07)
T-Test of difference = 0 (vs not =): T-Value = 4.49 P-Value = 0.003 DF = 7
Both use Pooled StDev = 3.7156

APPENDIX D FOR BOPP
Two-Sample T-Test and CI: roe Pre, roe Post(return on equity)

Two-sample T for roe Pre vs roe Post

	N	Mean	StDev	SE Mean
roe Pre	5	18.78	9.17	4.1
roe Post	4	3.44	2.21	1.1

Difference = μ (roe Pre) - μ (roe Post)
Estimate for difference: 15.33
95% CI for difference: (4.10, 26.57)
T-Test of difference = 0 (vs not =): T-Value = 3.23 P-Value = 0.015 DF = 7
Both use Pooled StDev = 7.0841

APPENDIX D FOR BOPP
Two-Sample T-Test and CI: cogs Pre, cogs Post (cost of goods sold/sales)

Two-sample T for cogs Pre vs cogs Post

	N	Mean	StDev	SE Mean
cogs Pre	5	75.6	10.6	4.8
cogs Post	4	98.56	3.80	1.9

Difference = μ (cogs Pre) - μ (cogs Post)
Estimate for difference: -22.98
95% CI for difference: (-36.34, -9.63)
T-Test of difference = 0 (vs not =): T-Value = -4.07 P-Value = 0.005 DF = 7
Both use Pooled StDev = 8.4219

APPENDIX D FOR BOPP
Two-Sample T-Test and CI: td Pre, td Post(debt ratio)

Two-sample T for td Pre vs td Post

	N	Mean	StDev	SE Mean
td Pre	5	19.7	10.7	4.8
td Post	4	8.31	1.96	0.98