

EMPIRICAL INVESTIGATION OF PRIVATIZATION PROCESS IN PAKISTAN: EVIDENCE FROM STATISTICAL EXPERIENCE

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Abstract. *Why privatization processes fall short to deliver the expected results in Pakistan. To answer this question, the current study aims at examining the privatization process in Pakistan. The privatization process is dividing into four sections, privatization policy, buyer selection in the privatization process, assets evaluation, and the factors affecting the development after privatization. The main objective of the study is to see the influence of development after privatization on the relationship between privatization policy, buyer selection in the privatization process, assets Evaluation, and Privatization process improvement. A detailed survey based on the structured questionnaire is enquired through the random sampling technique. Structured Equation Model (SEM) has been used for making an analysis. The finding of the study concludes that the development process privatization mediates the between privatization policy, buyer selection in the privatization process, assets evaluation, and privatization process improvement. The findings of the study advocate that the privatization policy, buyer selection process, assets evaluation methods must be in line with the objective of the government and line ministry. This effort may help for getting the optimum level of result from the privatization process.*

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1. Introduction

In Pakistan, privatization reform was started in 1990. The prime objective of privatization was to improve the production efficiency of sick government-owned entities. However, even after two decades, the privatization reform proved fruitless to give the projected result. Privatization is a strategy in which government resources are converted into private entities. It has been debated through a variety of work that government property along with administration is converted from state-owned to private entities. Arza (2008) explains that the term “Privatization” basically refers to the process where state-owned assets are handed over to the private sector regarding financial control, ownership, and management, or it is a phenomenon where government entities are transferred to the private sector. Moreover, Arza (2008) states that this process ultimately reduces the role of government in the operations of entities. Privatization covers both narrow and broad aspects of itself. In the narrow elaboration, it is a process in which state-owned entities are sold out to the private sector regarding ownership and control. As far as broad aspect is concerned, privatization means a process in which the role of the state is limited, and on the other hand, that of the private sector is enhanced. In the current study author the covers the narrow aspect of the privatization process. In the case of Pakistan, privatization reforms remain unsuccessful in fulfilling its core objectives (Tahir, 2014). Also, Kouser (2012) concludes the important magnitudes of privatization regarding the patterns and trends in privatization policies and implications.

In the last two decades, many countries have introduced privatization programs because state-owned entities were highly inefficient, various high-level political interventions, and government-owned entities were also highly dominated by strong labour and trade unions (Marcelin & Mathur, 2015). Because all said problems and these entities contributed a huge loss in fiscal budgets, Government has to pay losses for making soft budgets of sick state-owned enterprises. The objectives already set at the beginning of privatization were not fulfilled at the required level (Tahir, 2014). Although the overall process seems to be not successful, the privatization commission is still on the same path with the intention of continuity in the privatizing more entities. Hakro and Akram (2009) Conducted detailed work on pre and post-privatization in Pakistan. They considered all entities which were privatized during the period of 19 years i.e. 1990 to 2009 and revealed an insignificant effect of development after privatization. In another study, Tayyeb (2015) conducted research for checking the privatization impact in two different dimensions, found the results that there is a negative impact on growth contrary to the theory that suggested the positive impact of privatizations.

In the case of Pakistan, the process of privatization is not likely to be beneficial as it failed to fulfill its primary objectives (Tahir, 2014). Both micro and macro objectives of the Privatization Commissions of Pakistan are looking to be jeopardized. On the other hand, the consequences of this process are also surprisingly different from other countries. There is a very detailed study conducted by developing Asian banks for the privatized firms in the scenario of pre and post-privatization and concludes no significant improvement in post-privatization periods (Kemal, 2000). This situation attracts the intention of the author to penetrate deeply to find out the causes of privatization malfunction. In past research, very little attention has been paid to the process of privatization. The original contribution of the paper is to evaluate the process of privatization. This study contributes to the literature in three different ways. To the best of our knowledge, this is the first of its nature which evaluate the process of privatization in the context of Pakistan. Secondly, the current study is problem-based, and the main problem is that the privatization process overall failed to address, which is a core objective of economic reforms. Thirdly, the current privatization policy remains unsuccessful. So, the current study accordingly penetrated deeply to find out the original issues which were responsible for this failure and attempt to disclose the possible remedies for development in the process of privatization.

The rest of the paper is arranged as follows. The next part consists of literature, and the third part is related to the methodology, and the fourth part is the result discussion and conclusion.

2. Literature Review

Different countries vary in economic conditions and growth. Same like methods of privatization also varied according to their economic growth and business environment. As privatization is breaking the link between the government and management of state-owned enterprises. It is a dramatic shift from government management to private management. In the same way, there are different implications for the success and failure of methods of privatization. The previous ownership structure is the main concern of achievement or failure of privatization policies (Alaei & Andersson, 2014). Previous scholars paid very little attention to the process used to implement these strategies to study the association between the policy execution process and the result out of privatization methods. Formulation of privatization is a very important tool. Effective strategy formulation enables the executor for getting the desired objectives of privatization. In the privatization process, the strategy formulation is a key instrument used in privatization, which enables the government to achieve intended objectives. For getting the handsome

revenue from privatization and for broadening the ownership, it is essential to create competitive bidding from a buyer. For avoiding failure after effective privatization said type of strategy needs to formulate. Ensuring the effectiveness of strategies, basic factors, and are privatization strategy is considered in the formulation of policies (Waigama, 2008). Criteria by which to evaluate privatization strategies are adapted from the previous study of these criteria ensure the effective application of privatization policies for getting the optimum level of results. These factors include bidding and competition of buyer, a major influence of buyer in the process, the involvement of professional in policy formulation, the time required for a process allowed by privatization commission, Government nominated ministry has right to participate, overall policy is in line with the government objectives, approval of privatization of entity by the competent authority, the debt of entity is written off by the government before privatization, risk of privatization policy application (Waigama, 2008). A second most important aspect of the process is buyer selection. This second research question addresses the topic of who were the purchasers of the state possessed undertakings in the light of an expressed privatization target of guaranteeing more extensive cooperation by the general population in the proprietorship and administration of business operations. For development in productivity of privatized substance, the suitable purchaser is compulsory.

Li, Lam, and Moy (2005) distinguished the impacts of proprietorship structure on the methodology and execution of previous state-possessed endeavors (SOEs) in China. Taking into account an example of the previous state-claimed fabricating firms recorded on the Chinese Stock Exchanges before 1995, they broke down the possession impacts on firm expansion techniques and their execution. Bai, Lu, and Tao (2009) utilized extensive board information to set off China's state-possessed undertakings to examine the effects of privatization on social welfare and firm execution pointers. They found that the privatization of China's state-claimed endeavors had little effect on the change of firm business; however, it led to expanding deals and higher work profitability. The effect of privatization was economical over the long haul and was more claimed when state possession was diminished to minority position instead of larger part position.

Huang and Wang (2010) investigated the impact of extreme privatization on the execution of Chinese recorded organizations. Earle (1998) studied the impact of ownership structure on the efficiency of industrial firms from Russia. Earle founds that there was a positive impact of private ownership and productivity. He also concludes that their ownership was significantly related to firm efficiency. D'Souza and Megginson (1999) conclude that there was a significant increase in output (real sales), profitability, operating efficiency, but

at the same time, there were significant decreases in leverage and employment as the result of a change in ownership. The sentiments of buyer selection were adapted from the previous study of Wiagama (2008).

After buyer selection third most important part of the process is an evaluation of a privatized entity. Development after privatization mostly depends upon the proper valuation and price determination. If appropriate methods of valuation were used and the proper price had been charged, then chances of failure after privatization could be reduced. A successful privatization program entails some preparations; one of them is sale preparation (Wiagama, 2008). Proper evaluations of assets attempt to avoid undervalue or overvalue of assets. This implies that an appropriate valuation of assets is paramount of importance. Proper valuation of assets serves at last standard even only a single buyer (UN 1993).

The reference or reserve price normally reflects the following information:

- a) The current net value of an asset, i.e., assets less liabilities at book value
- b) Growth and level of earning
- c) Future expected growth and earning capacity

After publishing the above rules, the privatization commission later on in 1998 entity evaluation policy was published "A leading firm is hired to conduct a valuation of the entity. Usually, the approaches are used discounted cash flow and future earning potentials."

A different method of valuation was applied for the evaluation of various types of assets. Normally more than one method was used for the valuation of assets on single enterprises. These methods include evaluation of the entity by book or market, discounted cash flows, and stock market base valuation.

A true evaluation of an entity depends upon many other factors. These factors include country risk, corporate strategy and policy, and expectations about future economic growth. Sometimes only market forces can determinant the fair value of assets. In the evaluation, it is most important to design the appropriate privatization process and transaction structure. It is important to focus on advertising through relevant media and execute an appropriate prequalification method for bidders. Follow the appropriate bidding process to obtain the actual price for privatization (yearbook of PC, 2011, 2012). In the case of the equipment and machinery valuation problem is to relate the record of repairs, physical status, and maintenance repairs. It is also an issue making a comparison with the comparable machines from different states formed the basis valuation (UN, 1993). Valuation of inventories of raw material, spare parts, semi-finish, and finish goods were common in the world. Use of

depreciated replacement cost method applied in the majority of the countries. The said assets were depreciated to take care of obsolescence precipitated by changes in the market for the produced goods (UN, 1993). The pricing decision entails that the government should decide the amount of price that should underprice or tender offer for some particular buyer. It means to share allocation decisions to be taken by the government to choose whether to give special preference to one buyer over another buyer. These buyers may be stated own employees, domestic investors, or foreign and local institutional investors (Waigama, 2008). These include the merit base selection of specialist evaluator, proper methods of evaluation, transparency in the evaluation process, the required number of the evaluator, for big units observation of international standard in process, the requirement to defend the evaluation report, proper remuneration for evaluator firms, approval of evaluation report from the chief evaluator, appropriate required data provided by the commission to the evaluator.

The fourth part of the current study is to examine the effects of the factors in the post-privatization period. This part of the study represents the core theme of the research. Privatization was started in many countries as economic reforms. It is one of the main objectives of privatization that improvement in efficiency and development after privatization. In the case where the privatized entity failed to deliver this objective then the result may be unemployment following low productivity and many other social problems.

Privatized firms frequently provide the survivors of such layoffs with training to employees and workers to enhance the skills and development environment to increase job performance. Low-level workers and employee's pay and benefit are often revised according to labor market conditions. For motivation of employees' performance-related incentives and other approaches are used, which enhance the per labor output. Megginson and Netter (2001) conduct a complete survey of privatized firms in non-transitional economies. They reported that there were significant increases in output and efficiency in the post-privatization period due to intensive capital investment. They also found surprisingly that these studies are less common regarding the effect of privatization at a low level of employment in privatized firms. Dharwadkar (2000) and Ramamurti (2000) concludes that for getting the fruitful result of privatization from emerging economies the government should develop the capital market and economic related initiatives. Well developed the capital market and market-related institutions are the main source to attract the investor to participate by investing in the privatization process.

Following are the criteria for examining the adopted from Waigama (2008). The criteria include that the buyer is primary or secondary, application of

investment plan, accessibility of finance after privatization, performance base incentive for employees, an extensive training programme for enhancing in production, friendliness of government policies for privatized entities, improvement in regulation by the government for promoting the business environment in the country. By literature, we developed the following hypothesis.

- H₁:** Privatization policy does influence the privatization process of Pakistan.
- H₂:** Assets Evaluation does influence the privatization process of Pakistan.
- H₃:** Buyer Selection does influence the privatization process of Pakistan.
- H_{4a}:** Development after Privatization does mediate the relationship between privatization policy and the privatization process of Pakistan.
- H_{4b}:** Development after privatization does mediate the relationship between assets evaluation and the privatization process of Pakistan.
- H_{4c}:** Development after privatization does mediate the relationship between buyer selection and the privatization process of Pakistan.

3. Methodology

This part of the study is related to the methodologies adopted by the author. The author tested the hypotheses on basis of existing theories. The population of the study consisted of the current and ex-employees from the privatization commission of Pakistan. Being the capital city of Pakistan, the main offices of government ministries are located in Islamabad. For the privacy and security of respondents, the names of respondents and name organization have been omitted from the study. The primary goal of the survey was to assess the views and perceptions of employees about the privatization process of Pakistan. The sample is based on the privatization commission and ministry of privatization of Pakistan in its capital city, Islamabad and the sample size consisted of 177 respondents. For minimizing the biases in response author used close-ended questions for the survey. The simple and easy language used in questioner for a better understanding of respondents. The study survey questioners were distributed among the 330 employees and after three days only 177 (53%) were retrieved. The survey participants included both executive and non-executive members from the government sector employees and varied in qualification and experience they had. PLS approach is a useful technique in minimal data assumptions and vigorous for small sample size (Marginson, McAulay, Roush, & van Zijl, 2014). The main benefit of the PLS model is related to dig out the opportunities of knowledge rustication to the distribution of latent variables (Cha, McCleary, & Uysal, 1995). In the next section measurement of the instrument is explained.

3.1 Measurement instruments

In this study, an opinion poll was modified for data assortment from (Waigama, 2008). The mechanism is a questionnaire base Survey. All the questions constructs were measured on 5 points Likert scale ranging from “Strongly Disagree to Agree on Strongly.”

The multifactor questionnaire consisted of 05 items was used, to elaborate the privatization policy e.g., the item was asked for approval of policy from Apex body. The answers were measured on 5 points Likert scale. Similarly, for the assessment of buyer selection, the item was asked that the engagement of specialized evaluation firm in valuation firms. Same like the multifactor opinion poll comprised of 05 items was used. In the same way, for the estimation of assets evaluation, the multifactor opinion poll cover of 05 items was asked. Characteristic relating to development after privatization was collected by questionnaire includes 05 items. 6 Items used for privatization process improvement that was the dependent variable. Since samples included employees from different educational and social backgrounds. This is rational for their variance in response. Even though the opinion poll was tested and used by the previous researcher make sure that the instruments after the adoption was confirmed through pilot testing of data, and for checking the reliability test for "Internal Consistency" (Cronbach Alpha) was used. Some questions were customized to avoid any confusion with the respondents due to language difficulties.

3.2 Pilot testing of instrument

As to determine the reliability of the mechanism, pilot testing was carried out and out of the total sample size, a set of 60 questionnaires was distributed amongst respective respondents. Of course, the responses of this set were not used in finalizing the study analysis. Out of 60 questionnaires, 51 responses were getting back in a time limit of almost five and half hours in both the associations within the survey that was personally managed and requested respective respondents to render the responses. Outcomes of the pilot testing are depicted as under in Table 1.

Table 1 *Reliability Test of Instrument Pilot Test*

Variable	Response(N)	Items	Cronbach's Alpha
DV	51	6	0.712
Privatization Policy	51	5	0.936
Assets Evaluation	51	5	0.903
Buyer Selection	51	5	0.723
Development after Privatization	51	5	0.825

The Pilot test helps the researcher to confirm the reliability and acceptability of the modified instruments and it was settled based on Cronbach's Alpha value for all requisite five variables. It is evident that due to the reason, the value of Alpha was bigger than 0.70 and hence the standards for the questionnaire's consistency were established. With reference to Nunnally & Bernstein, 1994, such a value of Cronbach's Alpha is sufficient for verification of the reliability of the instrument and this test was employed to determine the reliability of the instrument. It is understood that the Cronbach Alpha test was used to check the reliability of all the respective five variables namely privatization policy (PP), buyer selection (BS), assets evaluation (AE), Development after privation (DP), and privatization process improvement (PPI).

The reliability of the survey questions depends upon the consistency of responses to questions. Mitchell (1999) suggests that questions should be checked for consistency within the main and subgroup. The author distributes the question in a subgroup in four sections. They conduct a pilot test to check the consistency within each distributed subgroup. Steps have been taken for ensuring the anonymous nature of the questionnaire so that the responses are unbiased.

For checking deep in thought measurement of the model consists of composite reliability to assess internal consistency, individual indicator reliability, and average variance extracted (AVE) to check the convergent validity. In this study, the assessment of reflective measurement models includes discriminant validity besides Cornell-Lacker criterion, cross-loading, and particularly heterotrait-nonotrait (HTMT) ratio of correlation also used to examine the discriminant validity.

3.3 Partial least squares regression (PLS)

PLS regression was used to endorse the hypotheses of this study (Fornell & Larcker, 1981; Wold, 1985; Hartmann, 2005; Sholihin & Pike, 2009). PLS is a popular multivariate technique that is applied to scrutinize complex research problems (a multifaceted interaction of different kinds of variables) (Hartmann et al., 2010). PLS technique based on a structural equation model (SEM) and measurement model which is suitable for this study due to the following reasons. A complex research model is used in current research i.e. in the initial order, a direct association between one endogenous and three exogenous variables variable was observed with 19 constructs and in the second-order, mediating effect of (Development after privatization) was also observed between endogenous variable and exogenous variables with 23 constructs. The sample size used in this study (N=216) was comparatively small that also

required PLS (Ali & Park, 2016). Furthermore, this study not only predicts but also explains the variance among the main targeted constructs.

The structural model equation modeling (SEM) is used for making an analysis. Structural model techniques are the second-generation model, and this method had conquered the shortcoming of first-generation techniques. Such techniques termed as structural equation modeling (SEM) enable the rescuer to integrate unobservable research variables measured not directly by variables. This model (SEM) also facilitates the accounting for measurement errors in experimental variables (Chin, 1998).

Structural Equation Modeling (SEM) is mainly of two types. The first is Covariance-based SEM (CB-SEM) and the second is partial least squares sem (PLS-SEM). CB-SEM is used to reject or accept the theories. This rejection or acceptance of variable can be tested empirically.

This verification can be done by determining the proposed theoretical model that can estimate the covariance matrix for the datasheet. In contrast to this PLS-SEM is used to develop the theories in exploratory types of research. The exploration is done by focusing the explaining the independent variance variables when the research model is in examining. As this study is related to exploratory research, so the researcher applied the PLS-SEM model for analysis.

3.4 SEM model analysis

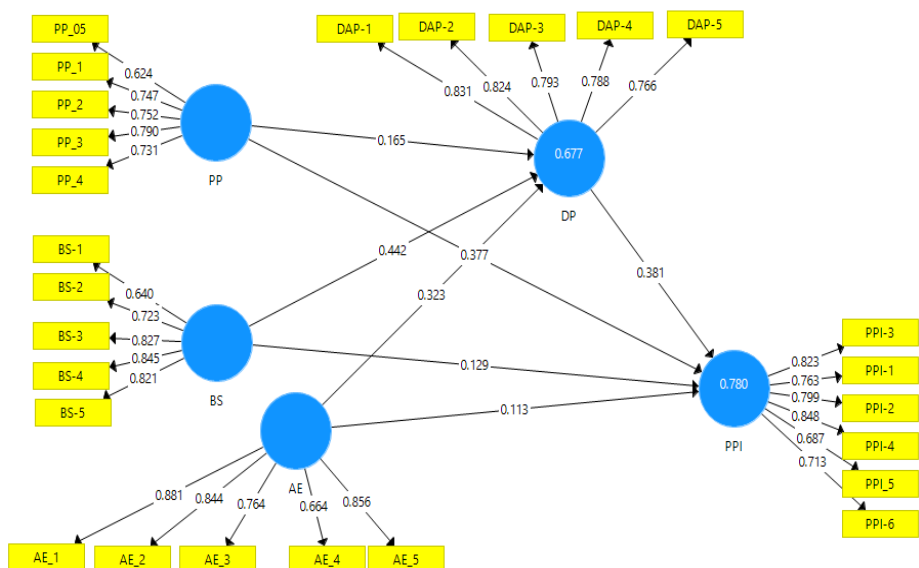


Figure 1 Conceptual Model of the Study

4. Results & Discussion

In the current study, the author used empirical data to test the hypothesis using the structural equation modeling technique. We employed Partial Least Squares Structural Equation Modeling (PLS-SEM) through the software package Smart PLS 3 (Ringle, Boysen, Wende, & Will, 2006)(Ringle, et al., 2006) (Ringle, Wende, & Will, 2006). PLS-SEM technique is broadly used in different areas of research (Sattler, Völckner, Riediger, & Ringle, 2010; Wilden, 2013; Sholihin & Pike, 2009). The author used PLS in this study due to numerous reasons.

4.1 Measurement model

We evaluate the reliability and validity of our measurement model. According to, (Hulland, 1999) we consider reliability as adequate if the factor loading value exceeds 0.50. All the items for impact loading of our PLS measurement are above 0.50 which is a threshold value. The threshold value of 0.50 is for exploratory research. In the current study, it will be 0.70 (Hair et al. 2013). The results of PLS measurement are reported in Table 2.

Table 2: *Factor Loading Values of the Measurement Model*

Constructs	Items	LV	C.R	α	AVE	VIF
Assets Evaluation policy	AE_1	0.88				
	AE_2	0.84				
	AE_3	0.76	0.90	0.87	0.65	1.79
	AE_4	0.66				
	AE_5	0.86				
Privatization Policy	PP_1	0.75				
	PP_2	0.75	0.85	0.78	0.53	2.10
	PP_3	0.79				
	PP_4	0.73				
	PP_5	0.62				
Basis for Buyer evaluation	BS-1	0.64				
	BS-2	0.72				
	BS-3	0.83	0.88	0.83	0.60	2.51
	BS-4	0.85				
	BS-5	0.82				
Development after privatization	DAP-1	0.83				
	DAP-2	0.82				
	DAP-3	0.79	0.90	0.86	0.64	
	DAP-4	0.79				
	DAP-5	0.77				

	PPI-1	0.76			
	PPI-2	0.80			
Privatization	PPI-3	0.82	0.90	0.87	0.60
Policy	PPI-4	0.85			
Improvement	PPI-6	0.71			
	PPI_5	0.69			

Note: The item was removed from the final version of the construct and not used in the structural model; All loadings and weights are significant at 0.001 level (2-tailed); LV = Loading Values; C.R = composite reliability; α = Cronbach's alpha; AVE = average variance extracted; VIF = variance inflation factor

To ensure the stability of the model we use VIF to check the robustness. The VIF values of all variables are below the threshold level of 0.5. This means that there is no multicollinearity in the model. According to (Hair et al., 2013) values identify the total effect of direct relationship and indirect relationship.

4.2 Construct validity

To address convergent validity, we investigated Cronbach's alpha, composite reliability, and average variance extracted (AVE). According to (Bagozzi, Yi, & Phillips, 1991) threshold value of Cronbach's Alpha, is 0.7 also supported date back by (Nunally & Bernstein, 1978). The commonly used threshold value of AVE is 0.7 for Composite reliability (Fornell & Larcker, 1981). To ensure construct validity, the square root of AVE must be greater than the correlation of any other constructs (Barclay, Higgins, & Thompson, 1995). Also, we analyzed all cross-loadings of indicators to figure out whether any indicator loads highly on other constructs. Following (Hulland, 1999) we used Cronbach's alpha to assess the convergent reliability; it has a measure that all the values of Cronbach's Alpha exceed the threshold level of 0.70 that validate the reliability (Nunally, 1978). In our study, the all estimated value of AVE validated that the square root of All AVEs values greater than the respective correlation between constructs. Reliability, convergent, and discriminant validity of the research model were analyzed. To find out whether that the indicator was highly loaded on other constructs or not we analyzed all cross-loadings of indicators shown in Table 3.

Table 3: *Discriminant Validity Analysis*

	AEP	BBE	DAP	PP	PPI
AEP	0.806				
BBE	0.651	0.785			
DAP	0.703	0.771	0.835		
PP	0.557	0.713	0.661	0.781	
PPI	0.675	0.766	0.81	0.754	0.774

AEP: Assets Evaluation Policy, BBE: Basis for Buyer evaluation, DAP: Development after privatization, PP: Privatization Policy, PPI: Privatization Policy Improvement

Table 4 summarizes the results of the best-fitted model. The empirical results are reported in two different dimensions. In the first part, we evaluate the relationship between exogenous variables and endogenous variables. The second part of the empirical analysis of the model describes the role of the mediating variable. The privatization policy has a direct impact on privatization process improvement, and Hypothesis 1 is supported. SEM results supported the second hypothesis (Hypothesis 2), and assets evaluation has a significant impact on privatization process improvement. Our analysis supports the relationship between Buyer selection and privatization process improvement (Hypothesis 3 is supported).

Table 4: *Direct Relationship between Independent Variables and the dependent variable*

Structural Path	Path coefficient	(t-value)	90% Confidence interval	Conclusion
PP → PPI	-0.377	6.791	(0.271, 0.490)	Hypothesis 1 supported
AE → PPI	-0.113	1.872 ^{n.s}	(-0.008, 0.229)	Hypothesis 2 Supported
BS → PPI	-0.129	1.824 ^{n.s}	(-0.003, 0.271)	Hypothesis 3 supported
R-square	0.67			

Note: * shows that the variables are significant at 1% level of significance. n.s shows not significant. PP: Privatization Policy, AE: Assets Evaluation, BS: Buyer Selection, PPI: Privatization Policy Improvement

4.3 Mediating effect

To evaluate the significance of the mediating effect we use the non-parametric bootstrapping method in the study proposed by (Ali & Park, 2016; Hair, Ringle, & Sarstedt, 2013). The mediating table 4 shows that development after privatization mediates the effect at 28% on privatization policy, very high level mediate the effect on buyer selection (BS) by 58% and asset evaluation (AE) over privatization process PPI by 26.5%.

The sufficient requirement for mediation is that the indirect effect of the dependent variables has to be significant, so in this case mediator also absorbs some direct effect (Ali and Park, 2015; Hair et al., 2013). In this study, the direct effect of privatization policy and privatization policy improvement is significant and the indirect effect is also significant, which reveals that the direct mediation effect between privatization policy and privatization process

improvement through development after privatization exists. Similarly, asset evaluation and buyer selection have an indirect partial mediating impact on privatization process improvement in the manifestation of development after privatization, and Hypothesis 4a, Hypothesis 4b, and Hypothesis 4c are supported. Concluding the analysis, it has perceived in our study that privatization policy has both a direct and indirect impact on privatization process improvement, while buyer selection and assets evaluation have an only indirect impact on privatization process improvement.

Table 5: *Mediating Effect of Development after Privatization between Independent Variables and Dependent Variables*

DP as mediator	Direct Effect	Indirect Effect	(t-value)	Total Effect	VAF (%)	Mediation Effect	Results
PP DP PPI	0.377	0.123	(2.122)*	0.44	28%	Mediation	H _{4a} supported
BS DP PPI	0.129	0.169	(3.991)*	0.297	57%	Mediation	H _{4b} supported
AE DP PPI	0.113	0.063	(3.085)*	0.237	26.50%	Mediation	H _{4c} supported
R-square		0.78					

Note: * indicate the level of significance at 5%. Note: VAF = variance accounted for; $|t|N = 1.96$ at $p = 0.05$. The VAF $N \geq 80\%$ indicates full mediation, $20\% \leq VAF < 80\%$ shows partial mediation while $VAF < 20\%$ assumes no mediation.

5. Discussion & Conclusion

This study provides insight research about the relationship between Privatization policy, Buyer selection, and asset evaluation, and privatization process improvement. The mediating role of development after privatization in the relationship between privatization policy, buyer selection, and assets evaluation and privatization process improvement were examined. This study is divided into the two strands of research; in the first strand, the author discussed the direct association between Privatization policy, buyer selection, and assets evaluation and privatization process improvement. In the second strand, the mediating role of development after privatization between the underlying endogenous and exogenous variable was examined. The results show that privatization policy has a significant positive impact on development after privatization. If we go through the all sentiment of privatization policy then found that all points of privatization policy have a strong influence on privatization policies over the privatization process. In previous research, it was found that empirically and theoretically it proves that the strong bidding competition of buyers has a positive impact on the sales price of an entity (Brannman, Klein, & Weiss, 1984; Milgrom, 1987). The second part of the current study is buyer selection from the group of the investor. From results, it

is easy to prove that the new owner played a significant part in improving the efficiency of a privatized entity. The result shows that the buyer must have the basic skill required for bringing development in the post-privatization period. The buyer must have the required skills and operational ability to run the business in the post-privatization period. Third and last part is about assets evaluation. The result shows that asset evaluation has no direct impact on privatization process improvement but development after privatization mediates the impact of assets evaluation on privatization process improvement. Valuation method on the basis of going-concern means that the value calculated on the basis of consideration of the total value of the property including the intangible value that is goodwill and property importance to business (Mundy, 1992; Appraisal Institute, 1992).

Development after privatization is applied as the mediating variable of the study. The objective of this variable is to investigate the changes that occurred in entities due to the result of privatization because the prime objective of privatization was to improve the efficiency output in the post-privatization period. The mediating role of development after privatization enhances the relationship between the dependent and independent variables. The relationship between privatization policy before mediating is weak and after mediating the type of relationship change to a significant level. Prašnikar, Svejnar, and Domadenik (2000) conclude in their study that the significant improvement after privatization due to structural changes of interest group owners and managers. Same as in Tanzania there has been a significant improvement in efficiency output and performance in the post-privatization period (Moshi, 2001).

Given the above result, the author gives the following appropriate recommendation to policymakers. The recommendation will be a positive step for successful Privatization in Pakistan. The policy should have a prime objective is to bring improvement in development in the post-privatization period.

The privatization policy and method of divestment must be inlined with the privatization state objectives. For policy-related following steps are necessary to incorporate for successful privatization. The buyer selection process should be transparent and purely on a merit basis. Proper application of privatization policy must be ensured by the privatization ministry. A method for evaluation of assets needs to revise and evaluated on a going-concern basis. The most important factor for development is one of the core themes of the objective of privatization. The development after privatization factors should be incorporated into the process being followed by the privatization commission.

There should be a strong follow-up mechanism should be made by the government. This ensures the investment plan given by the investor at the time of finalizing the deal. Application of new technology, training the existing staff, and enhancing the production output. The government should make business-friendly rules and regulations for business growth.

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