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# The Pre and Post Financial Performance of Privatized State-Owned Enterprises in Ghana

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**Abstract**
This study aimed at investigating the potential impact of privatization on the financial performance of Cocoa Processing Company Limited (CPC) as an attempt to contribute to the debate on how the privatization of public enterprises may affect the financial performance of these enterprises. Data was obtained from the annual financial reports of CPC five years before and five years after privatization. The indicators examined were profitability, liquidity and gearing. Financial performance ratios (profitability, liquidity and gearing) were calculated and compared. To determine whether there have been any significant differences among them in the pre and post-privatization periods, a t-test was conducted at 5% level of significance since the sample size was small. The findings revealed that while privatization did not seriously affect CPC"s profit, it led to liquidity improvement and debt reduction. Privatization process in CPC has resulted into no significant changes in financial performance in achieving the objectives of privatization in Ghana. It is recommended that a comparative study of privatization programmes in manufacturing and service industry in various sectors of Ghana be conducted to determine the overall performance level of privatized firms in Ghanaian industries.
**Keywords**: Privatization, State-owned Enterprises, Financial Performance.

## 1. INTRODUCTION

Ghana after independence engaged in a rigorous industrialization and set up a number of State Owned Enterprises (SOEs) to create jobs and to make the country self-reliant. At the overthrow of the Convention Peoples' Party (CPP) government, policies to move the country towards a command system was halted and many of the industries were abandoned. In the 1980's it became clear that many of State-Owned Enterprises were mere waste on the country's resources (Christensen, 1998).

Christensen (1998) argued that Ghana's state-owned enterprises have performed poorly, not only during the economically disastrous period of the 1970s and early 1980s, but also since the government introduced the Economic Recovery Programme in 1983. Christensen (1988) further argued that the experience of state ownership has been disappointing, mainly because of the low political cost of government interference in the operations of SOEs. This according to him in turn has become one of the reasons why the government has resorted to divestment, which seems to be a more efficient way of reviving SOEs than the performance contract system.

The reform of the public sector in general and of the state-owned enterprises (SOEs) in particular has proven to be one of the most difficult aspects of structural adjustment in Africa. According to the World Bank (1994a), little progress has been made and many attempts to improve the performance of SOEs have not been sustainable in the medium to long term. Even Ghana, which has been hailed as a successful macro-economic reformer has been criticized for its failure to reform SOEs.

Empirical research has shown State-Owned Enterprises (SOEs) as relatively inefficient in economic terms and often a drain on public treasury since the government needs to grant them subsidies to support their operations. These state subsidies amount to substantial drain on the government's finances and are causing budget deficits and inflation. In order to cover the budget deficits, the government has resorted to borrowing and hence crowded out potential investors from gaining access to credit (Ntiri, 2010).

During the 1980s Ghana went through severe economic decline. This economic decline took its turn on the State-Owned Enterprises (SOEs) along with some other businesses in Ghana. The government, as a way of addressing the poor performance and inefficient operations of the State-Owned Enterprises launched SOE reform program in 1988 as part of Ghana's overall Economic Recovery Programme (ERP). The SOE reform program consists of measures to improve the performance of State-Owned Enterprises and the rationalization of the sector by means of divestiture programme (Appiah-Kubi, 2001).

The SOE reform program consists of measures to improve the performance of State-Owned Enterprises and the rationalization of the sector by means of divestiture programme. It was envisaged that privatization would improve operational efficiency of SOEs, reduce public sector borrowing requirements arising from corruption, subsidies and subventions to unprofitable SOEs, reduce government expenditure and state role, increase investment and employment as well as ensure job security in Ghana (Ntiri, 2010).

The improvement in the privatized firms' financial and operating efficiency is one of the objectives that are more frequently associated with privatization processes. Though there are various empirical studies on the pre and post-performance of the privatization of SOEs, there is not much study in the area of financial performance of privatized firms in Ghana. This study investigates the financial performance of privatized firms in Ghana to see if it is in line with what we normally envisage.

*1.1 Statement of the Problem*
Privatization is generally viewed with much skepticism across Africa by all segments of the society. There have been a series of debate on privatization of State-Owned Enterprises in Ghana by both politicians and the populace. There is an important question asked as to whether the process of privatization has seen any significant improvement in operating and financial performance. People normally asked questions about the performance of those enterprises after privatization as to whether efficiency has increased, production gone up and what has happened to the workers regarding their job security. They argue that the benefits of privatization come at significant cost to society. The principal purpose of this study is to compare the pre and post privatization financial performance of state owned enterprises in Ghana. The Cocoa processing Company was used as a case study.

*1.2 Objectives of the Study*
The objectives of this research were:

i. To determine whether there have been any improvement in profitability of CPC after the privatization programme,
ii. To determine whether the liquidity of CPC has improved after the privatization programme, and
iii. To determine whether there have been any considerable improvement in the gearing ratio of CPC after the privatization programme.

*1.3 Research Hypotheses*

i. **Null hypothesis** $H_0$: $\mu_1 = \mu_2$: There is no significant change in profitability of CPC due to the privatization programme.
**Alternate hypothesis** $H_1$: $\mu_1 < \mu_2$: The profitability of CPC will be higher after the privatization programme.
ii. **Null hypothesis** $H_0$: $\mu_1 = \mu_2$: There is no significant change in liquidity of CPC due to the privatization programme.
**Alternate hypothesis** $H_1$: $\mu_1 < \mu_2$: The liquidity of CPC will be higher after the privatization programme.
iii. **Null hypothesis** $H_0$: $\mu_1 = \mu_2$: There is no significant change in the gearing of CPC due to the privatization programme.
**Alternate hypothesis** $H_1$: $\mu_1 < \mu_2$: The gearing of CPC will be better after the privatization programme.

*1.4 Scope and Limitation*
Studies on privatization of state-owned enterprises cuts across many dimensions. It is for this reason this research only concentrated on evaluating the pre and post financial performance of privatized state-owned enterprises in Ghana by assessing the profitability, liquidity and gearing of CPC.

## 2. REVIEW OF RELATED LITERATURE
*2.1 Definition of Privatization*
Privatization according to most scholars involves the total transfer of public ownership and assets structures to private companies or conversion of public enterprises to private entities.

Mullins (2002) sees privatization as being the creation of freedom from direct state control and the transfer of business undertakings to private hands. Lynch (2000) also defined privatization to be the selling of an organization's shares into private ownership. But the World Bank (1994) defines privatization as, "a transaction or transactions utilizing one or more of the methods resulting in either the sale to private parties of a controlling interest in the share capital of a public enterprise or of a substantial part of its assets or the transfer to private parties of operational control of a public enterprise or a substantial part of its assets".

For the purpose of this study, privatization is defined as the sale of either the whole or part of the shares of a state-owned enterprise by the government to private investors to reduce government expenditure and improve the efficiency of those enterprises.

*2.2 The Effects of Privatization*
Some empirical research has been carried out in both developed and developing countries to examine the effect of privatization. Most research conducted over the years has revealed a significant positive effect of privatization. However, a few has some reservations about privatization after their findings. Below are the summary of some research findings by some academic scholars:

In 2001, the Zambian Privatization Agency commissioned a study to assess the impact of privatization. The study showed that 235 of the 254 firms privatized over the period 1991-2001 had continued in operation. Fifty seven percent (57%) of buyers were Zambians and an additional thirteen percent (13%) were joint ventures between Zambians and foreigners. Post-privatization capital expenditures in the non-mining sector totaled $400 million. Nineteen firms closed following privatization but seven of them resumed operations after being resold and efforts were underway to resell an additional five at the time of the study. Employment declined in the privatized non-mining sector from 28,000 at the time of privatization to 20,000 in 2001 but the workforce expanded in several firms (Nellis, 2003).

Another study in 2001 by Appiah-Kubi (2001) reviewed 212 privatizations in Ghana. The study shows that privatization had the effect of easing pressure on balance of payments, increasing efficiency, stimulating local capital markets, enhancing the inflow of FDI, creating quality gains for consumers and increasing employment and remuneration. A study in 1998 by Andreasson assessed the impact of privatization in Mozambique and Tanzania and revealed positive changes in operating and financial performance of the divested firms: three- quarters of firms which had ceased operations before divestiture was contemplated, resumed productive operations following privatization, and; investment, production, sales and value-added increased significantly following privatization.

Megginson et al (1994) cited in Jamal et al (2007) compared the pre and post- privatization financial and operating performance of 61 firms from 18 (12 developed and 6 developing) countries and 32 industries over the period between 1961 and 1990. Megginson et al suggested that there is strong evidence that, after privatization, their sample firms became more profitable, increased their real sales and their investment spending, and improved their operating efficiency.

Grosfeld & Nivet (1997) also cited in Jamal et al (2007) conducted a similar research in Poland. The result indicated that Polish privatized firms invested more and had greater capacity to ensure higher output growth. They also found that private ownership dramatically improved corporate revenue performance although no comparable effect of ownership change on cost reduction was found.

Boubakri & Cosset (2005) examined 79 newly partially or fully privatized firms headquartered in 21 developing countries (e.g. Bangladesh, India, Pakistan, Nigeria, Malaysia, and Tunisia) over the period from 1980 to 1990. Boubakri & Cosset reported that newly privatized firms exhibit significant increases in profitability, operating efficiency, capital investment spending, real sales, total employment, and dividends.

D'Souza & Megginson (1999) compared the pre and post- privatization financial and operating performance of 85 companies in 28 countries and 21 industries that were privatized through public share offerings for the period between1990 and 1996. D'Souza and Megginson reported that privatization has led to significant increases in profitability, output, operating efficiency and dividend payments as well as a significant decrease in leverage ratios.

Osman (2000) explored changes in pre- privatization financial performance and activities of 24 cement companies. He reported statistically significant changes in net period profits and capacity utilization ratios and partially significant changes in investments and production levels in the pre-privatization and post-privatization periods. He further reported a statistically significant decrease in the number of employees and increase in productivity levels.

Omran (2001) cited in Osman (2000) in his examination of 69 Egyptian firms reported a positive relationship between ownership structure of companies and their efficiency. He further reported that privatized firms performed better than they had before privatization. Omran further concluded that general liberalization was more important than privatization in explaining behavior.

It is obvious that the findings in the literature above outline a score of positive impact of privatization. However, there are others whose work revealed some negative impact of privatization. Firstly, they contest that privatization has produced financial and operational benefits, or at least enough to offset the social dislocation it causes but that performance improvements they attribute them to increased competition rather than change of ownership.

A research conducted by Sheikh, (1985) revealed that the average level of performance after adjusting for changes in prices and capital stock is higher for the period under public ownership compared to private ownership regime. He evaluated consequences of British privatization program and found that most privatized industries grown since privatization and grown more than those industries that remained in public ownership. However, he said, the privatized firms which grown rapidly, were doing so even before privatization. Secondly, there is fear that privatization leads to layoffs and a worsening in labour conditions, in the short term in the divested firms and in the longer run in the economy at large.

Christenson (1980) in his work argue that "even if privatization enhances enterprise efficiency, the bulk of the benefits accrue to a privileged few shareholders, managers, domestic or foreign investors, those connected to the political elite, whereas the cost are borne by the many, particularly taxpayers, consumers and workers, thus reducing overall welfare." In addition, many are concerned that, perceived corruption and lack of transparency in privatization transactions have minimized gains and increased broader problems of governance.

It is evident that privatization cases studied most times show higher level of efficiency but such claims cannot be substantiated always. Megginson et al (1994) researched into sixty organizations revealed a substantially improved performance in 75% of the cases studied. It shows that about 25% were not improved in terms of performance. The performance improvement in privatized organizations is also the same in a number of countries but cases in other countries did not yield similar results. They indicated that lack of improvement in efficiency and productivity was explained by the poor handling of the privatization process itself.

Many authors argue that much more research is needed to get a better view of effectiveness of privatization. Among other things these authors point at the utmost importance of closely examining the financial performance of privatized firms. This study therefore examined whether the financial performance of state-owned enterprises have improved after privatization, and the Cocoa processing Company Limited was used as a case study.

## 3. METHODOLOGY

### *3.1 Type of Research*

This study relied on the case study research strategy since the focus was on only CPC. This case study method help the researcher investigate a contemporary phenomenon with its real life context, as the boundaries between the two were not clearly defined (Yin, 1994). In this respect, the case study method enable the researcher to gain access to various data sources, and to process an extensive variety of material, such as documents, artifacts, transcripts from interviews, and observations. The case study method also allows a systematic observation of the policies, structures and context of an organization (Birnberg et al, 1990).

### *3.2 Population, Sample and Sampling Techniques*

"Population is the group of interest to the researcher, the group to whom the researcher would like to generalize the results of the study" (Fraenkel & Wallen, 1993, p. 23). Twenty three (23) privatized state-owned enterprises served as the population of the research. This study employed a purposive sampling technique in choosing the sample size since the firm that can provide the required and necessary data for this study was carefully selected.

The sample for this research was one state-owned enterprise in Ghana (Cocoa Processing Company). This is because Cocoa Processing Company was privatized through a share offering, and this method of privatization generates post financial and accounting data that is directly comparable to pre-privatization data and also they are reliable data.

### *3.3 Type of Data*

The study depended on both qualitative and quantitative data. Quantitative data "Virtually involve some numerical data or contain data that could usefully be quantified to help you answer your research question(s) and to meet your objectives" (Lewis, 2009, p. 411). Qualitative data however, refers to data that cannot be quantifies or expressed in numerical way.

Both secondary and primary source of data was used. Secondary data already exists for some other purpose. The secondary sources included annual financial statements of CPC from 1997-2006. The primary data is first-hand information collected for the study. Primary data was collected through interviews.

To be able to assess whether the privatization of CPC actually affected the financial performance of CPC or not, the pre-privatization CPC financial data from 1997-2001 and the post-privatization period of CPC financial data from 2002-2006 was selected. The pre-privatization financial data from 1997-2001 was used because CPC was privatized in 2002, and those were the current five years financial data was available. Again, the post financial data from 2002-2006 was selected because those were the immediate five years financial statements following the privatization programme. Moreover, economic variables like inflation and interest rates might not have been significantly changed.

### *3.4 Method of Data Analysis*

The analysis of the secondary sources was done using some selected accounting ratios. The primary data was analyzed using qualitative techniques. The pre-privatization CPC financial data (1997-2001) and the post-privatization period of CPC financial data (2002-2006) were treated as two samples taken from two independent populations. Their means were compared using the student distribution as the test statistic to test the hypotheses. The level of significance (i.e. probability of committing a type 1 error) used in all the tests conducted is 5 percent (i.e. $\alpha = 0.05$). For consistency, the one-tailed test was used in all cases.
The table below shows the indicators and the formulas used in the study.

**Table 3.1 The Indicators and Formula used for Testing the Hypothesis**

| CHARACTERISTICS | FORMULARS |
|---|---|
| PROFITABILITY | Return on Assets (ROA) = Net Income/Total Assets |
| | Return on Equity (ROE) = Net Income/Total Equity |
| | Return on Sales (ROS) = Operating Profit/Sales |
| LIQUIDITY | Current Ratio (CR)= Current Assets/Current Liability |
| | Quick Ratio (QR) = (Current Assets-Inventory)/ Current Liabilities |
| GEARING RATIO | Gearing Ratio = Total Debt/Total Equity |

## 4. RESULTS AND DISCUSSION OF FINDINGS

### *4.1 Profitability of CPC*

Return on Assets, Return on sales, and Return on Equity are the indicators used to measure profitability. Table 4.1 summarizes these profit performance indicators.

**Table 4.1 The Results of CPC Profitability Before and After Privatization**

| ***Indicator*** | ***Mean value before privatization*** | ***Mean value after privatization*** | ***Mean change due to privatization*** | ***Test value*** | ***Critical value*** | ***P-Value*** |
|---|---|---|---|---|---|---|
| Return on Assets (ROA) | -2.16% | 6.24% | 8.4% | -5.9408 | 2.1329 | 0.002 |
| Return on Equity (ROE) | -14.09% | 18.72% | 32.81% | -2.3054 | 2.1329 | 0.0412 |
| Return on Sales (ROS) | 11.73% | 10.05% | -1.68% | 2.0177 | 2.1329 | 0.06 |

Source: Computed by author

From Table 4.1, Return on Asset changed from -2.16 in the pre-privatization era to 6.24 in the post-privatization era. Similarly, return on equity increased from an average of -14.09 in the years before privatization to 18.72% in the period following it. However, Return on Sales changed from an average of 11.73% before privatization to 10.05 after it. Table 4.1 shows a huge positive effect on Return on Asset and Return on Equity as a result of privatization with a mean value of 8.4% and 32.81% respectively while return on sales shows negative changes after privatization was introduced with a mean value of -1.68%.

The results in Table 4.1 indicates that the test value for ROA ([-5.9408]) is greater than the critical value (2.1329), and the p-value (0.0020) is less than 0.05. Hence, the ROA during the post-privatization era was significantly higher than the ROA during the pre-privatization era as per the result of the study. Similarly, Table 4.1 shows that the test value for ROE ([-2.3054]) is greater than the critical value (2.1329), and the p-value (0.0412) is less than 0.05 (level of significance). Therefore, the ROE of CPC after the privatization programme has improved significantly than the post-privatization era. On the other hand, the test value for ROS (2.0177) is less than the critical value (2.1329), and the p-value (0.06) is greater than 0.05. Thus, Profitability was rather higher during the pre-privatization era than the post-privatization era. This is in contrast to a study by Megginson et al. (2001) which revealed a substantial improvement in performance by 75%.

According to Megginson et al (2001) company profitability after privatization surged in a majority of cases and privatization removed existing constraints on new investment and access to capital. In addition, privatization has the effect of raising productivity and efficiency something that has not happen yet in CPC as evidenced from the data. One wonders why this is the situation in a number of cases such as Togo, where performance was observed to have dramatically improved following privatization but in Ghana, privatization in most cases like that of CPC have failed to produce the expected results in terms of company profitability (Megginson, et al., 2001).

Furthermore, according to the response from the interviewees, the profitability of privatized State-Owned Enterprises may improve or decline based on the industry the firm operates, the management that takes over, and the kind of investors the State-Owned Enterprise was sold to. According to the interview, the profitability of CPC has seen no significant improvement after the privatization. They explained that this could be due to inadequacy of the investments and management inability to employ cost reduction measures which resulted in higher operating expenses and inadequate advertisement of its various products.

*4.2 Liquidity of CPC*

Liquidity was used to measure the degree to which the company can generate cash to pay its current liabilities as and when they fall due. The two ratios used to measure liquidity were current ratio and current liabilities.

**Table 4.2 The Results of CPC Liquidity Before and After Privatization**

| *Indicator* | *Mean value before privatization* | *Mean value after privatization* | *Mean change due to privatization* | *Test value* | *Critical value* | *P-Value* |
|---|---|---|---|---|---|---|
| Current Ratio (CR) | 0.57:1 | 0.91:1 | 0.34 | -3.0686 | 2.1318 | 0.0186 |
| Quick Ratio (QR) | 0.43:1 | 0.81:1 | 0.38 | -3.2586 | 2.1318 | 0.0156 |

Source: Computed by author

From Table 4.2, it can be seen that the Current Ratio shot up from 0.57:1 in the pre-privatization era to 0.91:1 in the post-privatization era. This indicates a 0.34 positive increase in the current ratio after the programme. In the same way, the quick ratio also increased from an average of 0.43:1 in the pre-privatization era to 0.81:1 in the post-privatization era, indicating a positive mean change of 0.38.

It is also evident from Table 4.2 that the test value of the current ratio ([-3.0686]) is greater than the critical value (2.1318), and the p-value (0.0186) is less than 0.5. Therefore the current ratio of CPC has been significantly higher during the post-privatization era than the pre-privatization era. This finding is consistent with a study by Jamal et al (2010) on the Pre and Post Operating and Financial Performance of Privatized Organizations. They concluded that current ratio was found to rise from an average of 0.78:1 in the years before privatization to 1.69:1 after privatization.

The results in Table 4.2 indicate that the test value of the quick ratio ([-3.2586]) is greater than the critical value (2.1318) and the p-value (0.0156) is less than the level of significance (0.05). This implies that there has been a significant improvement in the quick ratio of CPC after privatization than the post privatization era.

An interview conducted with two accountants revealed that the cash flows of the firm when it was privatized saw better improvement than under the government leading to improvement in liquidity. They continued that after the firm was privatized many loop holes in cash outflows were filled since the firm was conscious about cutting down cost. The firm also embarked on series of activities that lead to the generation of cash into the firm. This led to improvement in liquidity of the firm after privatization.

*4.3 Gearing of CPC*

Gearing ratio was used as a measure of whether CPC has enough capital in relation to possible losses. It shows the extent to which debt is used in CPC"s capital structure. The gearing ratio was determined by total liabilities (TL) to total capital (TC).

**Table 4.3 The Results of CPC Gearing Before and After Privatization**

| *Indicator* | *Mean value before privatization* | *Mean value after privatization* | *Mean change due to privatization* | *Test value* | *Critical value* | *P-Value* |
|---|---|---|---|---|---|---|
| Gearing Ratio | 12.90:1 | 5.75:1 | -7.15 | 2.2607 | 2.1318 | 0.0433 |

Source: Computed by author

According to Table 4.3, the gearing ratio of CPC showed a mean value of 12.90:1 before the privatization programme and a mean of 5.75:1 after the privatization programme. This shows a remarkable mean decrease of -7.15 in the gearing ratio after the privatization programme. The results from the t-test indicated that the test value (2.2607) is greater than the critical value (2.1318), and the p-value (0.0433) is less than 0.05. Therefore the gearing ratio of CPC has been significantly lower during the post-privatization era than the pre-privatization era.

According to Megginson & Randendorgh (2001), the switch from public to private ownership should lead to a decrease in the proportion of debt in the capital structure. This is because with the end of government debt guarantees, the firm's cost of borrowing will increase and because the firm has a new access to public equity market. This may explain why there has been a significant reduction in the gearing of CPC.

This finding is however in contrast with a study by Hakro & Akram (2009) in Pakistan on the Pre-Post Performance Assessment of Privatization Process in Pakistan. The result demonstrates that after privatization firms in sectors like banking, cement, oil and gas demonstrate no significant gain in leverage. But a similar study by Ntiri (2010) in Ghana indicated that the leverage of most firms after privatization demonstrates significant gain. Thus, the leverage of these firms reduces significantly.

 

## 5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

### *5.1 Summary*

The first objective of this study was to determine whether there was any significant increase in the profitability of CPC after the privatization programme. The study revealed that, indicators such as the return on equity and return on assets saw a significant improvement after the privatization programme. However, return on sales which is the main indicator of profitability was significantly lower since the pre-privatization average was 11.73% compared to the post-privatization average of 10.05%. This seems to suggest that perhaps the investors in CPC have only succeeded in increasing the assets base of CPC without necessary increasing its income over expenditure. In effect privatization of CPC has not been profitable.

The study also brought to light the liquidity position of the company after the privatization programme. The main indicators used were current ratio and quick ratio. Analysis of the data collected revealed that both the current ratio and the quick ratio saw significant improvement after the privatization programme. The post-privatization average of the current ratio of 0.91:1 was found to be significantly higher than that of the pre-privatization of 0.57:1. This suggests that the management of CPC after privatization succeeded in reducing its current liabilities, perhaps through an enhanced credit system.

Again, the leverage of CPC was also assessed using the gearing ratio as an indicator. Results on the gearing ratio indicated a significant improvement from an average of 12.90:1 in the pre -privatization era compared to an average of 5.75:1 in the post-privatization era. This suggests that there was a significant improvement in the gearing ratio of CPC after the privatization programme. This is because after privatization the government redrew it assistance to the company and the company needs to borrow at higher interest rates which deter the investors from increasing debt.

Much as policy makers and government would expect that, the privatization of CPC would impact positively on the profitability and financial performance of the firm, results from the interview conducted seem to indicate otherwise. Results from the interview indicated that on the average the financial performance of CPC after the privatization has not shown any significant improvement. From the interviewees, though there was improvement in the operating efficiency and some financial indicators, the net effect of improving the profitability of the company was not met. In effect, the inadequacy of the investments and lack of cost reduction measures seemed to be the main factors affecting the realization of the goals of the privatization of CPC.

### *5.2 Conclusion*

The objective of this study was to examine the impact of privatization on financial and operating performance of Ghana privatized state-owned enterprises by using both descriptive and quantitative ratio analysis. In order to achieve this objective, the study addressed the theoretical aspects of privatization, by reviewing concepts, objectives, methods, impacts, and experiences of some countries, particularly developing countries. Furthermore, the study concentrated on CPC's privatization experience, which serves to establish a framework for the study and to derive the variables essential for conducting this examination.

This study has revealed that there was a significant increase in the liquidity, leverage, return on assets, and return on equity of CPC after the privatization programme.

However, the main indicator of profitability being return on sales saw no significant improvement after the privatization programme. The responses from the interview also affirmed the result from the ratio analysis indicating that privatization is not a means of increasing the profitability of SOEs.

The results from the calculated ratios has indicated that the main measure of profitability (Return on Sales) was significantly lower since the average after privatization (10.05%) was significantly lower than the average before privatization (11.17). Again, the interviewees declared that the financial performance and profitability of CPC has not seen any significant improvement, and the government should have restructured CPC instead of privatizing it.

It can be concluded that privatization process in CPC, perhaps most privatized firms in Ghana has resulted in no significant changes in financial performance in achieving the objectives of privatization.

Finally, an attempt has been made to provide various practical recommendations that may contribute to enhance the privatization policy. Prominent among these are: Backing privatization programmes with enough capital outlay, planning and implementing privatized programme, pursuing and implementing cost reduction measures, and increase marketing and advertisements of CPC's products.

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