

Impact of privatization on firm performance: a case of selected privatised firms in Kenya

Author: Okumu, Argan Wekesa

Abstract:

In the late 1970s and early 1980s, the Kenyan economy experienced a series of shocks. Some of them affected all developing countries, but others were specific to Kenya. The International Monetary Fund (IMF) and other donors responded with substantial commitment of structural adjustment lending. Kenya was the first sub-Saharan African country to receive structural adjustment funding from the World Bank and later the first to receive an enhanced structural adjustment facility (ESAF) loan from the IMF. Privatisation was one of the key requirements of those forms of lending. For many years since independence in Kenya, parastatals have generally proved to be "parasites" on the treasury. Though the state entities do generate some revenues, the revenues seldom cover a reasonable proportion of their costs. They end up being a burden to be borne by the government instead of contributing something to the exchequer. Privatisation as a component of public sector reform policy has attracted mixed across the various stakeholders. Whereas it has long been yearned for by some, it has proved to be a threat to others. This fundamentally manifests the respective perceptions of the impact of privatisation. The research responded by carrying out an assessment of the impact of privatisation on performance, thereby putting to light the expected outcome of a typical privatisation. The approach used was case study based on Mumias Sugar Company, Kenya Commercial Bank and Kenya Airways. The study applied t-tests and Wilcoxon Signed Ranks tests on hypothesized performance indicators. Analysis of privatisation was further examined by discussing lessons drawn from international experiences.