

**PARTIAL PRIVATIZATION STRATEGY;
-A Case Study of Bangladesh Railway**

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Topic : PARTIAL PRIVATIZATION STRATEGY;

A Case Study of Bangladesh Railway

A Thesis presented to the Dhaka University in Partial fulfillment of the requirements for the Degree of "Master of Philosophy" in Management Studies.

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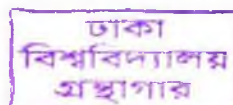
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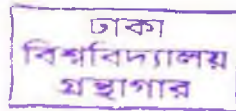
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DECLARATION

I do here by declare that the thesis under the title “Partial Privatization Strategy : A case study of Bangladesh Railway” prepared and presented by me to the Dhaka University, Bangladesh in partial fulfillment of the requirements for the Degree of Master of philosophy (M. Phil) is an original work of mine during the study period. The thesis has not been presented earlier either wholly or partially to any other academic institution for any degree or any other gain.

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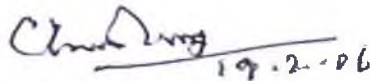
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CERTIFICATE

I have the pleasure to certify that A. M. Shawkat Osman, a registered M. Phil student of the Department of Management Studies, University of Dhaka who conducted the research study on "Partial Privatization Strategy : A case study of Bangladesh Railway" under my direct supervision. He has completed the study in Partial fulfillment of the M. Phil degree requirements in Management through his research work during the period from March 2005 to February 2006.

The research findings on the topic are the candidate's own work. It does not contain any conjoint research work.



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ACKNOWLEDGMENT

It is a great pleasure and privilege to record my deepest gratitude and indebtedness to my supervisor and guide professor, Dr. Md. Nazmul Karim Chowdhury, Department of Management Studies, University of Dhaka, whose constant support and encouragement has made it possible to complete the present study. It would have been quite impossible to carry on the research work and its final shape of thesis without his able guidance and sympathetic motivation.

I have no word to express my gratitude to professor Kaji Md. Nurul Islam Faruky for favorable consideration and heartiest co-operation about my study.

I must also express my profound respect and sincere gratitude to Dr. A.S.M Whaidullah, Professor, Department of Zoology, Dhaka University and Professor Dr. Md. Aaluddin, Department of Management, Government Azizul Hoque College for the keen interest they expressed in my research and their valuable advice from which I immensely benefited during the preparing stage of the thesis.

I would like to take this opportunity to express my grateful thanks to Mr. Md. Shahadat Ali, D.C.O Bangladesh Railway, Dhaka for his help regarding valuable information and data in making thesis more acceptable.

I am extremely grateful to my colleagues Mr. Md. Elias, Associate Professor & Chairman, Statistics department and Mr. Saidul hasan, Asstt. Professor, Statistics Dept. Dhaka Commerce College for valuable academic help.

I would like to express my grateful thanks to the authorities of Privatization Commission, Board of Investment, World Bank Library, Midas Library, B.I.D.S. B.I.B.M Library, Bureau of Business research D.U, Dhaka University Library, Ministry of Industries, Bangladesh Railway, Daily Star, Daily Ittefaq, Daily Jugantar for providing me with valuable data, documents and relevant informations for purpose of the study.

The teachers of the Department of Management Studies deserve my thanks. I am indeed grateful for their inspiration and support and all the discussants who expressed their valuable opinions to improve the Programme.

I have also benefited from a large number of well wishers who are too numerous to be individually cited here. My sincere apologies to all of them. I shall however, be failing in my duty if I do not express my indebtedness and gratitude to my parents Mrs. Safia Khatun, (mother) and late Al-Haj Md. Abul Khair, father who randomly insisted me for this study.

Lastly I would like to express my heartist thanks and gratitude to my wife Mrs. Nayer Sultana (Munni) for her kind co-operation and encouragement during the long tenure of my study.

Mr. Mujahidul Islam Chutan have composed and typed the final report. He deserves my thanks.

February, 2006,

A. M. Shawkat Osman

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PARTIAL PRIVATIZATION STRATEGY: A Case Study of Bangladesh Railway

ABSTRACT

The economy of Bangladesh is severely blasted in the liberation war of 1971. War over, Bangladesh takes a bold initiative to nationalize its industries and other financial institutions left off by Pakistani owner to boost up and strengthen its economy. But unfortunately, it cannot achieve its goal, and thereafter, it thinks over Privatization Programme. Like the nationalization Programme, Privatization Programme also frustrates it. So the Partial Privatization Programme rushes to rescue it ——— a modern concept suggested by the donor organizations and even the analysts. The govt. heeds their suggestions, and does attempt to implement this Programme stated. This study aims at finding out the feasibility and pedience of Partial Privatization Programme. To give it a success, this study specifies some objectives which are as under :

- Analysis and assessment of Privatization Programme in Bangladesh.
- To identify the background of Partial Privatization Programme.
- To identify the nature, benefits, problems of partial privatization Programme.
- Findout the financial aspect of Partial Privatization Programme in Bangladesh.
- Identify the changes of quality of services and other facilities of Partial Privatization Programme.
- To find out success and failures of Partial Privatization Programme

In order to achieve above mentioned objectives this study has chosen the field of Bangladesh Railway. Methodology is designed with statistical analysis. Data has been collected from both sources, primary and secondary. Respondents of all concerned sources have been conducted to collect necessary information.

The thesis has been divided into seven chapters, which are :

Introduction

Review of Literature

Conceptual Framework

Privatization Scenario of Bangladesh

Rationale of Partial Privatization Programme

Partial Privatization Programme in Bangladesh Railway

Summary & recommendations

Chapter six is the important chapter which consists of brief description of this Programme in B. R. In this chapter nature, area, duties of both authority (private & public) of Partial Privatization Programme have been discussed. The benefits, financial earnings, problems and other necessary characteristics have been specified in this chapter. Financial viability and service standard of this Programme have been tested by paired “*t*” test and x^2 test.

This study has identified some findings that include the involvement of private entrepreneurs in public organizations, easiness for implementation, no obstacles by staff of parent organization, positive economic viability proved to be satisfactory with paired “*t*” test and finally the improvement of the service standard including other facilities tested by x^2 test.

This study has recommended this Programme to the government to implement largely. In order to overcome or reduce financial losses of public organizations, Partial Privatization Programme may be introduced as strategic Programme so that our public organizations can establish economic strength and improve service standard. On the other hand, universities, research organizations are highly encouraged to study on partial privatization Programme.

1.1 Statement of the problem.

The decade of 1960's and '70s were attributed to the last growth and development of public enterprises world over and it was considered a dominant part of the economy. But after 70s the wind of public enterprises phenomenon began to change because of lagging performance of the State Owned Enterprises (SOE). A large number of State Owned Enterprises proved economically unviable and inefficient which incurred heavy losses and created heavy pressure on public budget. As a consequence, since 1980, the economic reforms through privatization gained momentum all over the world and reached highest popularity by '90s. In this decade more than 2000 State Owned Enterprises (SOEs) were privatized in the developing countries and altogether 6800 (SOEs) the world over.¹ Further, the intellectual debate on privatization and restructuring of the economy created interest in the privatization Programme.

The rapid growth of public sector in Bangladesh during the post liberation period (1971-1975) was the outcome of some incidental and political reasons. The war of liberation left the country's infrastructure totally devastated. Industrial and Commercial enterprises were closed down. Under this circumstances the government took over the abandoned business and industries. This 85 percent of industrial assets were nationalized in 1972.² But the government failed to run the state owned Enterprises profitably and efficiently for a variety of reasons of which mismanagement corruption and lack of accountability,³ were prominent. The ever increasing losses of these SOEs exerted heavy pressure on the country's fiscal situation.

1. In 1976 the new government, understanding the failure of the public sector in the economy, adopted a new policy of privatization of state owned enterprises. Since the successive governments in Bangladesh have privatized many industrial enterprises, banks, commercial business, textiles, Steel Engineering, Chemicals, Sugar, Shares of Multinational Companies, many approaches have been introduced in privatizing state owned Enterprises (SOEs), like sale of equity, Sale

¹ K Sunita et. al. "Privatization, The lessons of Experience" world Bank, 1992 P-2

² Industrial Investment Policy 1972-1973, January-8, 1973

³ Siddiqui G.A. Hafiz "Privatization and Policies Towards Improvement of Public Enterprises Performance Fourth Five year plan perspective" Journal of Business Administration Vol-16 no. 3 & 4 July – Oct' 1990, Dhaka.

of Assets, Management Contracts, Sale by Tender, Sale by Public Offer of Shares, Partial Privatization, Employee Ownership Plan (ESOP) etc. Each approach has inspirations in implementation of privatization Programme. Partial Privatization is also suitable in some areas of privatization. So the GOB is trying to apply these approach in many areas like DESCO in PDB, Land phone in T & T, Parjatan Motel in Bangladesh Parjatan Corporation, Bangladesh Railway, Toll collection and Fency Programme of Roads in Communication Sector.

The present Study is the serious endeavor to analyze the appropriateness & suitability of partial privatization approach that followed in some areas in Bangladesh Railway.

1.2 Need for the Study : In Bangladesh 'Partial Privatization' has been regarded as an important source of efficiency and competitiveness for public enterprises. In this context partial privatization become a major research topic in the literature of our economy. This concept is needed to be assessed briefly to find out the feasibility and applicability in public enterprises. Quantitative analysis on the basis of official statistics has not yet been conducted extensively. In considering the applicability of 'Partial Privatization' to the SOEs it is important to specify when this system emerges and becomes effective. This study aims at specifying the condition for the emergence, existence and evolution, of partial privatization system. Since "Partial Privatization Programme" is a recent concept in Bangladesh, almost no research work has been done on it. This system has been recommended by World Bank study also. But there is no research work has been done after implementing 'Partial Privatization Programme.

I hope the proposed research work on 'Partial Privatization Strategy' will help the Bangladesh Railway authority, Privatization Commission, Government of Bangladesh, Researchers to a great extent.

1.3 Scope of the Study. This study aims at finding out the overall condition of Partial Privatization Strategy mainly. This is why this study is designed to analyze the privatization Programme also. The background, performance, evaluation of privatization. This study is to be involved to find out the necessity of thinking the Partial Privatization

Programme. That mean the basis of implementing the Programme. It is necessary to analyze the Industrial policy of our country.

This study has to be involved to express the nature of partial privatization Programme. This study converse Partial Privatization Programme in home and abroad. Specially this Programme taken by Bangladesh Railway. It will involved to analyze briefly the present condition of this Programme. That is the feasibility of partial privatization Programme. Finally this research study will be involved to reach a decision about the feasibility of Partial Privatization Programme.

1.4 Objectives of the study : The objective of the study is to evaluate the 'Partial Privatization Programme'. At present government is introducing this Programme strategically. In order to achieve this goal this study has designed with the following objectives :

- i) **To findout the Identity and Description of Public Sector organizations in Bangladesh.**
- ii) **To identify the present condition of SOEs.**
- iii) **To identify the background of Privatization Programme.**
- iv) **Assessment of Privatization in Bangladesh.**
- v) **To identify the post privatization status of SOEs.**
- vi) **To identify the Privatization policy and performance.**
- vii) **To identify the background of Partial Privatization Programme.**
- viii) **To identify the Partial Privatization Programme and present status**
- ix) **Benefits and financial earnings as well as existing problems of Partial Privatization Programme of Railway.**
- x) **Pointing out the comment and experience of private entrepreneurs.**
- xi) **To find out the Service Standard and other facilities of Partial Privatization Programme.**
- xii) **To find out success and failures of Partial Privatization Programme in BR**

The ultimate objective of this study is to find out the feasibility of this Programme

1.5 Research Methodology :

This study is Inductive Statistical Research which is concerned with the development of some criteria that can be used to derive information about the nature of the members of total groups (also called population or universe) from the nature of the small portion (also called sample) of the given group. This study worked on 8 sample trains to reach in a decision about 70 trains which are partially privatized.

Inductive statistics includes the methods like probability & probability distribution; sampling and sampling distribution; various methods of testing hypothesis, correlation, regression, factor analysis; time series analysis. This study is designed with hypothesis which is tested by paired t test and χ^2 test.

The study will be conducted with the help of the survey method, key information method and participation observation method.

Data & Sources :

Information for the purpose of the study would be collected from both primary & secondary sources.

- a) Primary data : Primary data would be collected through questionnaire and discussion schedule from leasing co./Private entrepreneur, Railway authority, passengers, Staffs of private operator, Analyst etc.
- b) Secondary data : Secondary data for the study would be collected from annual report of Railway, Economic survey report, Statistical Year book, Progress report of Privatization Commission, Divisional Commercial Officer, Railway, Dhaka, Station Master B. Baria, Journals of B.I.D.S, Report of C.P.D, Report of World Bank, Journals, Periodicals would help to gain a better research output.

Simple Random Sampling : (S.R.S)

The study is conducted with selecting of the sample randomly. Railway authority privatized about 70 trains. Among them 8 is selected randomly. Reservation and ticketing system applied in 16 stations. 4 station has been selected for sample. The other partial privatization work and sample has been selected as per system.

Statistical Method :

Statistical method has been applied in this study. Frequencial Distribution, paired t test, χ^2 test used to find out various objections^{✓23}, Financial viability of the partial privatization Programme with government period has been analyzed by paired T test. Hypothesis for paired t test are

$H_0 : \mu_x - \mu_y = 0$ means there is no significant difference in the daily income of passengers train before and after the partial privatization.

$H_A : \mu_x < \mu_y$ Means partial privatization results in an increase in daily income.

We can test this two variables by using paired t test. Where

This study also examined the performance of partial privatization with government period. In this stage χ^2 test has applied. Hypothesis for χ^2 . test are

H_0 : There is no significant difference between the efficiency of government and partial privatized train.

H_1 : Partial privatized train is more effective than government.

Above mentioned techniques applied due to find out the financial or commercial viability and qualitative changes of the partial privatization Programme of Bangladesh Railway.

1.6 Limitations of the study :

This study suffers from certain limitation due to its wide scope in ability of study materials and multi type nature. These limitations were beyond the control of researcher.

- a) There is no particular point or place where this Programme is co-ordinated or operated centrally.
- b) The published secondary data are very limited. Due to recent concept, data are not available in Privatization Commission Bureau of statistics, Ministry of Finance, Ministry of Communications, Railway also.
- c) In interviewing period a significant amount of non-co-operation and avoiding attitude from respondents. Some railway officials showed avoiding tendency and some others refused to give answers to certain questions on partial privatization of Bangladesh Railway.
- d) It has been found that some high executives of Railway authority and senior journalists hold suspicious attitude towards this sort of academic research exercise. As a result, they often hesitate to co-operative in providing the needed research information's.
- e) Some of the personnel's of relevant field of selected sampled units were very hard nut to crack. However, efforts were made to persuade them though it was troublesome and costly as I conducted to them, in some cases, ten times to collect the information.
- f) As new concept partial privatization is not well known to related organizations. So they were very much strict about taking and supplying of information's.

Inspite of these problems and limitations the study has however, fulfilled its objectives. It indicates future trend and recommendations of partial privatizations. Utmost emphasis has also been laid in this respect.

2. Review of Literature :

In this section an acute analysis of the contents of available literature on different aspects of privatization have been reviewed. The whole review of literature for the present study has been segmented into three parts which are as follows :

- a) Literature available on Global Experience of privatization.
- b) Literature review of privatization in Bangladesh.
- c) Analysis of Empirical findings of the review of literature.

2.1. Review of literature on Global Experience of privatization.

- i) Nellis (1997)¹ in her research paper entitled "Privatization : Lessons of Experience" highlighted that -
privatization is only one element - albeit key one - is an overall strategy of private sector development and public sector reform.
Experience is a range of countries, from industrial to low income, indicates that privatization is most effectively advanced when it is of a broader macro economic reform Programme that creates an enabling environment for efficient private enterprises and that states us ambiguously the scope and methods of reform.⁴
- ii) Charles Vauylstake mentioned the necessity of privatization from the view point of national budget in "Techniques of Privatization". He told Government initiatives in the area of privatization of state owned enterprises (SOEs) and assets have increased substantially in recent years. Many governments have effectively privatized (SOEs). An even larger number have announced privatization Programmes but are only at the earliest stages of implementing them in any substantial way. In at least 83 countries privatization is an inherent part of efforts to rationalize the SOE sector as a whole, in most cases to reduce their burden on the national budget, to improve

⁴ Sumita Johan Nellis and Many Shirlyay, Privatization, The lessons of Experience June 1997 World Bank

the efficiency of individual enterprises, to assure wider distribution of business of ownership or to achieve a combination of objectives⁵

- iii) Mary Shirley pointed out in "Managing State Owned Enterprises" a World Bank publication that Privatization may be an element of broader economic policy comprising deregulation and liberalization with the emphasis generally as much on improving the efficiency of retained SOEs as on efforts to divest. Even when governments intend to continue state ownership various measures can still be implemented to improve efficiency and reduce costs.⁶

- iv) A World Bank Publication "Private Sector Development in low income Countries" has shown some of the importance regarding privatization that poorly performing public enterprises are a drain on the budget a destroyer of banks and an obstacle to private business. If low income countries in Africa are to make a significant and rapid back through into higher growth rates, if South Asian countries are to consolidate the gain they have made in liberalization if China is to maintain its rapid growth, they will all have to move further and faster in solving the problem of public enterprises especially the largest firms. The choice is not a simple one between privatizing all public enterprises and reforming them without changing ownership.⁷

- v) Prof. Dr. M. Ameruz Zaman Khan says in his article "Privatization issue in recent years generated world wide interest which reflects the reduction of state role in national economy by a balanced participation of both public and private sector."⁸

A Pakistani Writer Khawaja Amjad Saeed wrote in his article that the concept of Privatization in Pakistan has been understood to mean the transfer of economic authority of an enterprise out of governments has into private hands.

⁵ Charles Vuylsteke, Techniques of Privatization of state owned Enterprises Vol-1, 1991. World Bank Publication

⁶ Mary Shirley, Managing state owned Enterprises, World Bank 1985

⁷ Private Section Development in Low Income Countries. A World Bank Publication. Page - 93

⁸ Dr. M. Ameruz Zaman Khan, Privatization of Public Section Enterprises in Select Saarc Countries 1994.

Its ultimate objective is to achieve economic benefit by exposing the enterprises to market forces. (Khawaja Amjad Saeed, Privatization in Pakistan : Focus on Banking Sector 1994 Management Change in South Asia.)

2.2 Review of literature on privatization in Bangladesh.

- i) Dr. Sayde Jamal Uddin & Mr. Ali Ahsan stressed in D U Journal published in 1996 about privatization. They mentioned, after independence, the industrial enterprises of the country were initially brought under the control of the government. Very soon it was realized that the nationalized sector was not performing as desired. Since then the country has been going through denationalization process.⁹
- ii) Prof. Baker mentioned in his article 1989 Privatization has become, perhaps the most influential liveliest concept of business and economics in the penultimate decade of the 20th century (Bapuer 1989).
- iii) Professor M. Mohi Uddin wrote in his article that Privatization of the Bangladesh economy which started in a lukewarm way in 1974 -75, gathered momentum in 1976-77 but the fundamental policy change came in June 1982 with the announcement of the new industrial policy,¹⁰ which opened up. Bangladesh has been pursuing an extensive privatization Programme which is one of the largest in the LDC's.
- iv) Prof. Mohiuddin of D.U stressed the need of identifying problems and solution of them. He told " Privatization policy has been suffering consisting of purposes." The objectives cannot be achieved unless the aspects adversely affecting the Programme are properly identified and treated accordingly.¹¹

⁹ Dr. Sayeed Jamal Uddin & Mr. Ali Ahsan. D.U Journal of Business studies 1996.

¹⁰ National Industrial Policy (Bangladesh) 1982

¹¹ M. Mohiuddin - 1996 D.U Journal

- vi) Prof. M. Ameeruz Zaman mentioned some of the important informations of Privatization. He wrote " The Year 1981 was a year of political change for Bangladesh, But relatively a good year economically, GDP increased by 7 percent which was significantly more than earlier years. Industrial production increased by 8 percent. But the draught in 1982 again deemed the agricultural growth and budgetary strain compelled cutting down of public sector expenditures. This resulted a review of the performances of public sector enterprises and the government decision makers realized the SOEs (State Owned Enterprises) were not capable of leading a rapid industrial expansion due to existence of too many bureaucrat and is efficient officials who were lacking accountability and dedication for achieving social and commercial goods. The head of the then government was familiar with the success of private sector in Korea, Japan, Taiwan, Hongkong and hence, adopted quick action stralegng of pruiatyation".¹²

2.3 Review of literature on partial privatization in home and abroad.

- i) Mr.Muhammad Mahiuddin, Professor of Dhaka University expressed his thinking in a journal about privatization. He told the term privatization has been used to describe an array of action designed to broaden the scope of private operator activity. It usually refers to the process of establishment of private ownership for the state enterprises. It entails not only transfer of ownership but also reinstate of individual rights to performing economic activity freely.¹³
- ii) A recent world Bank Study, Bangladesh shows that in two thirds of 20 cases reviewed.

Management contracts improved performance (World Bank 1995) (Private Sector Development in Low income Covertnies.World Bank Publication-1995).

¹² M.Amruzzaman Khan – Privatization of - Public sector enterprises in selected SAARC countries. *Management of Change in South Asia* – 1994

¹³ Mr.Mohanmad Mohiuddin, Privatization Bangladesh Exprience D.U journal. 1996

iii) Between 1988 and 1994, International Development Agency (IDA) supported 23 operations to privatize management, most of them in the past few years. Sectors countries in attuned airlines, (Cameron-Chad) telecommunication (Guinea), power (Mali), railways (Banking Faso, Cameron, India, Tanzanian). In Guyana a management contract dramatically improved the performance of a major "bauximining" operations.¹⁴ We can find a positive report from Bangladesh Privatization and adjustment that Bangladesh must place priority on achieving striking improvements in the performance of basic economic infrastructure as the crucial underpinning of the privatization effort. This means that GOB (Government of Bangladesh) must effectively need a greater private sector role in the provision of infrastructure through operations and administration and determine what services to provide to generally captive markets. But the conditions that generated this model no longer exist in most countries forcing governments to consider fundamental restructuring of the railroad industry and its relationship with the state. Such restructuring has sought to introduce more innovative and efficient management, reduce railway deficits and public subsidies increase competition with other transport modes and make railroads more responsive to the needs of emerging private enterprises (Thompson 2003).

(vii) Significant gains might be made by bringing in aggressive private managers and allowing the enterprise to operate like a private firm even if ownership of assets is not transferred. Management contracts, lease and concession arrangement (BOO/BOT) are a step in the right direction and can facilitate later sale, particularly in Bangladesh where management contracts, leasing out arrangements, concession awards and the like. (Bangladesh Privatization and Adjustment, March 10, 1994)¹⁴

(v) Partial Privatization (Subcontracting) is also very popular and recognized in Japan. In the Japanese economy subcontracting has been regarded as an important source of efficiency and competitiveness for industries such as

¹⁴ Private Sector Development in low- income conventions, A world Bank Publication, page-115. 1995.

textiles, general machinery, electric machinery and automobiles.¹⁵

(vi) Thomson has shown a significant report regarding partial privatization of railway. He wrote in 20th century most rail roads in developing and transition economics were run by monolithic state owned organization that controlled all facilities.

- a) Capital markets and the domestic private sectors are weak.
- b) Unfavorable enabling environment makes private investors reluctant to take on ownership of large assets in need of modernization (railways, water power).
- c) Capacity to regulate is poor or problematic.

(Bangladesh privatization and Adjustment 1994)

2.4 Analysis of major Empirical findings of the review of literature :

From the foregoing review of literature it may be observed that privatization is one of the important economic reform work in the world. Privatization is necessary in all over the world. But this task is not so easy and applicable everywhere. Because privatization depends on some factors. Due to these factors privatization became very tough. In this situation another Programme may be observed very suitable to reduce national subsidy, increased efficiency and gradual advancement for future.

Privatization. This study observed from reviewed literature about some important feature, matter and prospect of Privatization & Partial Privatization which may be mentioned by the following way :

- (1) Privatization is the only strategy of private sector development and public sector reform.
- (2) Privatization is found an inherent step of efforts to rationalize public sector. It helps to reduce their burden on national budget and can improve the efficiency.
- (3) Privatization is a technique to solve the problems of public enterprises.
- (4) Privatization is a world wide issue which states/affects balanced participation of both public and private sector.

¹⁵ Fukunary Kimara Keis University, Subcontracting and the performance of small and medium firms in Japan

- (5) From reviewed literature it is found in Bangladesh that after independence 1971 privatization was the curtail need to stop the mismanagement of public enterprises.
- (6) Privatization is the liveliest concept of 20th century.
- (7) Reviewed literature stressed the point about the problem of privatization that mean this Programme has been suffering consisting of some problem.
- (8) Though privatization is a very important reform work but it is too tough to regulate properly due to some factors. These unavoidable factors creating problems and privatization Programme become a cool down project, specially in Bangladesh.
- (9) 'Partial Privatization' a modern concept may be taken as a strategic concept to enhance rapid improvement of SOEs (State owned Enterprises)
- (10) A world Bank Publication in 1995 shown a report regarding 'Partial Privatization'. This made on 20 cases which of them two third performance improved dramatically.
- 11) It is found that partial privatization is strongly supported by many researcher. Specially the infrastructure system may be taken under this proposed Programme.

Chapter : 3

3. Conceptual Framework of Partial Privatization.

3.1 Introduction :

It is a Privatization technique which refers to a new idea about privatization. Normally we know privatization means sale of enterprise by tender or offload of public shares. Partial Privatization is different in nature. Partial Privatization means private entrepreneur is allowed to operate any selective or weak part of the public enterprise in order to enhance efficiency or profitability without changing ownership of the asset. Partial Privatization is not total or complete privatization of the enterprise. Our public sector enterprises has been suffering from financial loss and affected by mismanagement due to varies reasons. In this circumstances partial privatization is a way to improve the position of the enterprise. 'Partial Privatization' is a joint management system. Under this system the assets, manpower and other establishment are kept under government ownership and a portion or a part of the enterprise is transferred to the private entrepreneur so that the weak position of the enterprise can be improved. Partial Privatization is not to sell the whole SOE as an entity, but to dispose of just one or more activities of subsidiaries. Partial Privatization is not actually sell its existing holdings in the SOE but open scope of private participation.¹⁶ Partial Privatization ensures the relative strength in public sector organization. It also provides the opportunity to share risks an in times of rapidly changing economic environment include, to respond quickly to market demands and opportunities.

3.2 Features and Strength

The potential strengths of the partial privatization include :

- A. A much stronger management capability due to its ability to recruit and compensate qualified managers and technicians at the market rate;
- B. Relative freedom to operate outside of political and bureaucratic constraints (e.g. in procurement);
- C. Better company specific labor management

¹⁶ Techniques of privatization of state owned Enterprise Vol-1, World Bank Technical paper no. 88

D. Potentially greater experience in developing facilities and providing services attuned to the competitive world of global trade;

E. Access to no traditional resources for investment in the infrastructure.

These attributes of the private sector involvement enable it to respond rapidly to market changes and reduces mismanagement with earning financial profit through speedy decision making and investment.¹⁷ Government will remains adamant that out right sale would pose intolerable political problems. In these cases consideration can go to privatizing management without fully or immediately privatizing ownership. This solution is most appropriate for infrastructure firms operating in monopolistic markets.

3.3 Methods of partial privatization :

The methods of Partial privatization include

- (i) Management contract
- (ii) Leasing
- (iii) Sub Contracting
- (iv) On Board service
- (v) Public offering shares (Full or partial)

(I) Management Contract : The management contractor (normally a company in the same line of business as the enterprise) assumes responsibility under a contract to management services or technical assistance the management group in given full management control authority to manage the contractor denies its authority from the contract and must manage the operation with in that confine.

(II) Leases : Lease contract is an agreement whereby private sector management, technology and / or skills are provided under contract to SOE in respect of state owned assets for an agreed period and compensation. While there is normally no transfer of ownership and therefore no divestiture of state assets these arrangements can be used to "Privatize" management and operations and thereby possibly increase the efficiency and effective use of state assets. The main underlying features are normally the conduct of the business by the lessee, in its own name the right to use specified facilities for a fixed period and the obligation to pay the owner (government or SOE) a fee for use of the assets.

If either a lease or management contract agreement is continued for long periods of time (there are examples of management contracts expanding for fifteen years), the

state has presumably decided that the arrangement is convenient and profitable and that privatization should be limited to management and operations.

- (III) Subcontracting : Subcontracting is a way of partial privatization that A contractual agreement between a firm and 'parent' firm with larger capital or larger number of employees. The former firm is commissioned to produce products parts, attachments materials or components used as inputs in the present firms production or to produce or repair facilities, equipment, tools and others which the parent firm uses in production. When a firm purchases non customized parts, components, and other through a usual marketing channel, it is not regarded as subcontracting. In subcontracting, a parent firm orders the work directly to a subcontractor with assigning a plan quality specific, form, design or others.¹⁸
- (IV) On Board Service : On Board Service is a system to include private activity to perform specific task. Mainly service oriented task which is more attractive to the

consumer or client or passenger is given to the private operator under some condition with paying fee. On Board Service system is effective due to two reason mainly. These are quality of work which can be ensured and helped to avoid long term employee liabilities, which is financially viable for the parent organization.

- (V) Public offering shares (Full or Partial)

Under this transaction, the state sells to the general public all or large blocks of stock it holds in a wholly or partly owned SOE, which is assumed to be a going concern set up as a public limited company. Technically this transaction amounts to a secondary distribution of shares when government decides to sell only a portion of its holdings, the result is joint state/private ownership of the enterprise. The government may pursue this approach as a deliberate policy to maintain its presence or as first step toward full privatization. Where there is already private share holding, the transaction may simply be a further privatization.

¹⁷ Developing a policy Agenda for Bangladesh. Civil society in taskforce Report-2001

¹⁸ Fukunary Kimara, Subcontracting and the performance of small and medium firm in Japan Keio University

Partial privatization usually results in a joint state private company. With mixed state private enterprises initiative can be earned success which are necessary for profit, quality service, proper maintenance of the national assets.

3.4 Conclusion :

There are so many reasons which are liable and making obstacles to smooth privatization. The performance of privatized organizations are not so satisfactory. In this context partial privatization system can be analyzed to find out feasibility. Some analysts are telling it as pre stage of privatization. That is under partial privatization the weak position of the sick public organization may be improved. After overcoming the sick position a public organization can be privatized easily. However currently it needs to be assessed the viability, feasibility, suitability of partial privatization as strategy.

Chapter –4

4. Privatization Scenario of Bangladesh :

4.1 : What is public sector :

Public enterprise is an under taking that is owned by a national, state or local Government supplies services or goods at price and is operated on a more or less self supporting basis.¹⁹ Normally the government organization is known as public organization or

public sector. Because all kinds of organizations belonging to this sector are run by the government. However the public sector includes the following organizations :

- Central government departments, agencies and services such as defense, education, health and social security.
- Local government departments and services such as education, social services housing and so on.
- Nationalized industries-such as BJMC, BTMC, BCIC, BFIDC, BTTB, PDB, etc.
- The organization formed by the special act of parliament or Presidential order for the welfare of the people.

4.2 : Historical Perspective of public Sector in Bangladesh.

Bangladesh was the part of the then British India till the 14 August 1947 and before 16 December 1971 it was the part of Pakistan. So the evolution of public sector in Bangladesh is viewed as historical process. The public sector functions were limited in administrations and regulatory works. The partial involvement with education, communication, health, broadcasting, telegraph, telephone, roads and railways, postal are found. During the period of Pakistan this sector covered the communication network, power, irrigation and other development works, social service facilities in education,

¹⁹ Encyclopaedia Britannica

health, housing and defense etc. In 1948, the first industrial policy was declared by the Pakistan government. Public sector was reformed as follows :

1. Arms and ammunition
2. Generation of hydroelectric power
3. Railway, Telephone, Telegraph and Wireless

The Pakistan Government also reserved the right to form essential and vital industries. The government also decided to establish Pakistan Industrial Development Corporation (PIDC) for necessary industrialization in the country because the private entrepreneur's participation was not satisfactory. However, PIDC selected some industries which are as follows :

- | | |
|--|-----------------------------|
| a) Jute | e) Shipbuilding |
| b) Paper | f) Fertilizers |
| c) Heavy chemicals | g) Cement |
| d) Heavy engineering including
iron and steel | h) Sugar and
i) Textiles |

In 1962, PIDC turned into EPIDC, EPIDC tried to take necessary steps for industrialization in East Pakistan. The Pakistan Central Government also tried to develop private entrepreneurship in this region. However, it is an irony of fate that Bangladesh witnessed a destructive war of liberation in 1971 which resulted in creating Bangladesh separating from Pakistan. At that time industries were ruined on account of prolonged war, as well as mass exodus of Pakistani managers, entrepreneurs, owners and skilled labour. There was a question before the newly established Bangladesh Government as to how to rehabilitate the war devastated economy. It was the background that Bangladesh Government declared nationalization policy in 1972 and nationalized the industries. This decision was the milestone of public sector development in Bangladesh.

4.3 : Objectives of State Enterprise :

State enterprises are established for the greater welfare of the nation. In some cases public enterprise is necessary. Such as sensitive and confidential units are run by the government. On the otherhand some service & utility organizations are operated by the government due to smooth supply of service. However the main objectives in favour of state enterprises are given below :

- i) Abolition of monopoly business
- ii) Proper distribution of wealth.
- iii) Ensuring public interest
- iv) Creation of Employment Opportunity.
- v) Establishment of Basic and heavy Industries
- vi) Planned Economic Development.
- vii) Proper use of Natural resources
- viii) Established public Accountability.

Public sector is strong alternative to resist bad impact of private sector. Private Sector is mainly performed to earn profit. But the other important necessity of the people are not ensured by them.

But the actual scenario is totally different. In Bangladesh Public sector have failed to contribute positively to the economy of the country.²⁰ Due to various reasons public sector became a big burden on national budget, a big field of granting subsidy, a big defaulter of Bank credit²¹

4.4 : Size of Public Enterprises :

State owned Enterprises of Bangladesh has been playing a significant role in economic sector of industry, Electricity & Gas, Communication and utility services. Though the changed economic environment required to include privatization and other reform work but till now SOE is very important regarding GDP, employment generation and revenue earning.²²

In Bangladesh, 44 SOEs (non financial) are existing under 7 (seven) sectors. These are showing by a table given below :

²⁰ Mohiuddin 1996 DU Journal.

²¹ Mohiuddin 1996 DU Journal.

²² Economic survey report of Bangladesh – 2004.

Table-1, Size of Public Enterprises in Bangladesh

Sl. No.	Sector	Number of Enterprises	Name of Enterprises
1	Industry	6 Nos	Bangladesh Textile Industries Corporation Bangladesh Steel & Engineering Corporation Bangladesh Sugar & Food Industries Corporation Bangladesh Chemical Industries Corporation Bangladesh Forest Industries Dev. Corporation Bangladesh Jute Mills Corporation
2	Power Gas & Water	5 Nos.	Bangladesh Oil, Gas & Mineral Resources Corporation, Bangladesh power development Board. Dhaka Electric supply Authority. Dhaka Wasa, Chittagong Wasa.
3	Transport and Communication	10	Bangladesh Shipping Corporation. Bangladesh Inland water Transport Corporation. Bangladesh Biman Corporation. Bangladesh Road Transport Corporation. Chittagong Port Authority. Chittagong Port, Dock Directing Board. Mongla Port Authority. Mongla Port Dock Directing Board. Bangladesh Land Port Authority, Jamuna Multipurpose Bridge Authority.
4	Commerce	3	Bangladesh Petroleum Corporation, Bangladesh Jute Corporation (Under dissolution) Bangladesh Commerce Corporation
5	Agriculture	2	Bangladesh Development Corporation, Bangladesh Agriculture Development Corporation
6	Construction	4	Chittagong Development Authority. Rajdhani Unnayan Kartipakha, Khulna Development Authority. Rajshahi Development Authority.
7	Service	14	Bangladesh Muktijuddha Kalyan Trust. Bangladesh Film Development Corporation. Bangladesh Inland Water Transport Authority. Rural Electrification Board. Bangladesh Export Processing Zone Authority. Bangladesh Powerloom Board, Bangladesh Rashom Board. Bangladesh Water Development Board. Bangladesh Export Promotion Bureau. Bangladesh Tele Communication Regulatory Commission. Bangladesh Tea Board. ²³

²³ Economic survey report of Bangladesh 2004

Out of mentioned 44 enterprises there are some organization existing in Bangladesh. These are Departmental Government organization which are given below :

Table : 2 Departmental Government Organizations

No.	Name
1	Bangladesh Railway
2	Telephone & Telegraph
3	Postal (Nationalized)
4	Bank & Insurance
5	Other Financial Institution

4.5 : Performance & Financial Position of Public Sector in Bangladesh.

Public sector organization rendering necessary services in the society. It was our long awaited expectation that a strong public sector would be established in our country in order to raise economic strength. The welfare of the much people in a country strongly depends one public sector. But the economic position of public sector has been suffering for long time. During the time of reconstruction of war-stricken Bangladesh it was too tough to operate efficiently and properly the nationalized industries and other public organization. As a result the nationalized industries could not earn profit. Day by day they sank into losses.²⁴

The public sector organization are economically very weak due to weak governance, and lack of accountability mainly. These organization are incurring a heavy amount of financial loss every year.²⁵ Government has to allocate financial budget to the public sector every year. Public Organization receives other facilities from the government. On the other hand government also provide financial subsidy in public sector organizations. Not only that public sector organization collect Bank loan from various banks. Some organization became defaulter also.

²⁴ The Daily Financial Express. 8.4.2000 Page-5

²⁵ The Daily Jugantor-13.11.02

Financial position of public sector during the fiscal year 2003-2004

Current fiscal year our 16 public sector has incurred a loss of amount one thousand Eight Hundred Thirty Three Crore Taka (1833/= crore)

Twenty Six organization has earned profit amount of Tk. One thousand sixteen crore fourty one lac. (1016.41 Crore). As a result the net loss of our public sector raised on Tk. 823.67 Crore (Eight Hundred Twenty Three Crore Sixty Seven Lac)

Sector wise financial losses may be shown by the following way :

Table-3 Financial Loss of major 16 public Organizations During the year 2004

No.	Name of sectors	Amount in crore
1.	B.T.MC	41.60
2.	SF.I.C	41.83
3.	B.C.I.C	114.76
4.	B.J.M.C	154.11
5.	DESA	255.10
6.	Chittagong WASA	.46
7.	B.R.T.C	28.18
8.	B.P.C	2792.48
9.	B.A.D.C	33.95
10.	K.D.A	1.17
11.	B.F.F.W.T	1.58
12.	B.I.W.T.A	4.79
13.	BSIC	6.75
14.	BTTB	.45
15.	M.P.A	11.7
16.	M.W.M.B	13.20

Table-4 Financial year 2003-04 some of the public Organization has increased their net profit or reduced loss than previous year which are showing in table below :

No.	Name of SOE's	Profit in the year 02-03	Profit in the Year 03-04
1.	Dhaka WASA	8.06	35.26
2.	B.I.T.C	18.58	22.76
3.	C.D.A	1.94	8.64
4.	C.P.A	101.91	108.39
5.	B.J.M.C (Reduced loss)	205.56	154.11
6.	B.S.F.I.C (Reduced loss)	98.07	41.83
7.	B. O. G. M. R. C	349.19	316.97

Each and every year Government has to allocate financial grant or subsidy for seek public organizations. Not only that government also provide financial help to some extent of prospective business.

Here we can show the financial grant or subsidy given by the government to various government organizations :

Table : 5 Quantity of financial grant/subsidy of government organization (1999-2000-2003-2004)

Name of Corporation	1999-00	2001-01	2001-02	2002-03	2003-04	2004-05
B.C.IC	3.00	3.00	-	-	-	-
B.S.E.C	.10	.10	.10	-	-	-
B.J.M.C	54.10	59.84	53.60	26.04	38.20	-
BIWTC	.50	.50	.50	.50	.50	-
R.D.A	.10	.10	.10	.09	.10	-
B.F.F.W.T	16.25	16.25	16.25	16.25	16.25	-
BIWTA	17.75	21.95	22.55	23.40	27.86	-
B.S.C.I.C	16.60	18.65	18.45	19.04	21.50	-
R.E.B	12.00	8.00	8.00	8.00	8.00	-
B.H.B	4.04	4.17	4.05	4.05	4.50	-
B.S.B	2.93	4.17	4.47	4.62	4.30	-
E.P.B	-	-	-	3.40	4.00	-
B.A.D.C	35.00	35.00	35.00	35.00	35.00	-
B.W.D.B	143.32	171.81	159.49	191.69	230.80	-
Total :	1305.73	342.46	322.56	331.68	391.01	-

Here we can show the financial profit/loss of two major organization. One is Bangladesh Railway another is B.P.C

Table : 6 Railway (Crore Tk.)

Year	Rev. Income	Rev. Expenditure	Net Profit/Loss
2002-03	320.10	586.81	266.71
2003-04	452.80	579.55	126.75

Table 7. Showing the yearly loss by Bangladesh Petroleum Corporation (BPC)

Year	B.P.C	Loss
1999-2000	Fuel Import & Sale	1169.19
2000-01	"	1311.23
2001-02	"	870.16
2002-03	"	522.22
2003-04	"	1157.68
2004-05	"	2792.40

In the year 2004-05 the net loss of 44 public organizations is counted Tk. 823.67 crore and Rail way loss is 126.75 Crore Tk. and B.P.C is 2792.40 Crore Tk. Total loss of our public organizations (Without financial Institutions) is amount of Tk. 3742.82 Crore in the year 2004-05.

Evaluation of Public Sector Performance : The effective management of the public enterprises can only be guaranteed under planned management system, which can ensure the effective utilization of the invested resources in the production process with maintaining a normal profit for their smooth functioning on a commercial footing. As this has not been running full satisfactorily, the question of effectiveness or evaluation of performance of public sector came to be a matter of discussion. It is almost clear that we are supposed to measure the performance of public sector enterprises and the performance means the economic activities carried by public enterprise and these economic activities are carried out with some socio-economic objectives.

The ability of state enterprises to perform production is affected when they are manipulated for political reasons to weak on political opposing or pay off political crises (ton issue after in depended) of for propose of personal gain. A state enterprise offers economics possibilities for in house corruption another reason some "Public servants"

resist moves to Private also. Many observers have come to wonder if the government sector is after all the champion of the general welfare.²⁶

It soon become obvious that state enterprise systems were inefficient, unimaginative, unable to understand and respond to the economic forest to national and international market places. They were obviously incapable of providing the dynamic required to the growth and progress the national wanted, Though some government enterprise were well managed and operated at a profit, most of money (some heavily) and the entire state controller system created a tremendous and ever increasing drain on an already tight national budget and strained resources.²⁷

The ultimate result of our public sector enterprises are not well to do. They are very weak in economic performance. Apparently the cause of weak governance and lack of accountability public sector increasing a huge amount of financial loss every year. The rate of public sector is very slow and minimum. But this sector is over whelmed by manpower. About 20% of total manpower of the state (Government) are engaged in State Owned Enterprises.

Though they are producing goods and delivering services in the society but economically they are loosing much more. recently the contribution of public sector in GDP reduced from 2% to 1%.²⁸

²⁶ Dr. saroj Kumar Shaha 1980 D.U

²⁷ Humphrey, 1992, Privatization – An Overview

²⁸ The Daily Jugantor 13-11-2002

Financial analysis of Government Sector

Almost all assets and debts in government sector are supplied by Government or Government owned commercial banks. So the profit rate over all assets is an important element in measuring financial condition of these corporation.

Table 8 : Profit earned in Government Sector from 1999-2000 to 200³~~2~~-200⁴~~3~~ (revised)

Tk. Crore

	200-01 (Real)	2001-02 (Real)	2002-03 (Real)	2003-04 (Real)	Growth Rate
1) Operating revenue	25594	27464	30500	32541	8.25
2) Operating surplus	(1773)	(506)	354	87	1.73
3) Surplus outside operating revenue	571	449	1153	675	5.68
4) Employee own fund	24	24	32	39	17.38
5) Subsidy direct	0.10	8	8	8	324.64
6) Interest	1232	1141	1151	966	(8.03)
7) Prior to tax (Net profit)/Loss) 2+3+5)-(4+6)	(2458)	(1214)	332	(235)	(53.91)
8) Tax	183	208	255	343	23.04
9) Port tax Net profit/loss) 7-8	(2641)	(1422)	77	578	39.43
10) Dividends retained earning	156 (2797)	180 (1602)	188 111	224 (802)	12.68 33.78
Total investment/fund	89921	96848	113068	129447	12.78
Equity	22493	25066	33401	50811	30.86
Operating profit rate on total asset (2÷12)	(1.97)	(0.52)	0.31	0.07	
Net profit rate on operating revenue	(10.28)	5.18	0.25	(1.78)	
Dividend rate on Equity (2÷12)	0.69	0.72	0.56	0.44	
Turnover of total asset	0.28	0.28	0.27	0.25	

Source : Economic survey report of Bangladesh 2004

Table : 8 The rate of Operating profit or government owned asset, Margin on operating revenue. Return on equity and Asset turnover etc. are shown on Table 9.3

The ROA of government Sector is almost negative for all years. But after (2000-2001) fiscal year. The negative ROA has decreased and in (2002-2003) fiscal year. ROA has increased 0.31 percent. The margin of net loss or operating revenue has decreased for the last two years. The return on equity in (1999-2000) fiscal year was 0.73 percent which decreased 0.56 percent in (2002-2003) fiscal year. This return or equity in government sector is the least than any index. After analysis the asset turnover it is found that the efficiency of utilizing asset in (2002-2003) fiscal year was the same as the prior year.

4.6 : Background of Privatization In Bangladesh :

The past situation of Bangladesh in 1971, the role of the state, specially in the economic and industrial sphere expanded dramatically. But there was no ready made Bengali entrepreneurs class at hand to till the economic space left off the Pakistanis. Bengali entrepreneurs accounted for 18% of manufacturing assets mostly located in the jute and textile industry where we have observed a first generation class of entrepreneurs had been inducted under state patronage, over less than a decade into arrange of medium scale manufacturing activities.²⁹ Unfortunately the public sector industries have failed to contribute positively to the economy of the country. Rather they became a burden on the national budget due to continual huge amounts of financial loss and subsidy. They became a synonym of mismanagement inefficiency and corruption and a fertile ground of industrial unrest.³⁰ In that situation the policy makers thought about privatization in order to improve the economic position of the public sectors. There have been pressures from aid group also. A comment delivered by acting chief of the World Bank Resident Mission in Dhaka (Rana 1994.P.I) With the persistent in efficiencies of Bangladeshi State Owned Enterprises and mounting losses, privatization has only become a compelling necessity. However this scenario seems that the following reasons have convinced the government to take decision for a massive privatization Programme in Bangladesh.

²⁹ Sobhan, Rehman – CPD occasional paper. – 16

³⁰ Sobhan, Rehman – CPD occasional paper. – 16

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- (i) To relieve the already burdened national budget from the huge amount of subsidies generally provided for loss-making state enterprises to keep them operational.
 - (ii) To divert in the 'subsidy' so saved to other priority areas of the economy (health, education, poverty alleviation, human resource development etc.)
 - (iii) To motivate private entrepreneurs for participation in public sector reform.
 - (iv) To ensure managerial efficiency and profitability of the loss making public enterprises.
 - (v) To encourage investment from both resources, home and abroad in order to improve industrial sector.
 - (vi) Establish competition among public and private sector.
 - (vii) To motivate employees for implement their maximum ability.
 - (viii) Create atmosphere for employment of the huge unemployed workers by ensuring investment.

Between 1971 to 1975 in Bangladesh the Public sector enlarged rapidly. The main cause of this enlargement were historical events and the political decision taken by the government. The number of the state owned enterprises raised on 350. But due to various reason the operating standard of public enterprises decreased highly. The public sector became as a fertile place of criticism due to corruption, Nepotism & mismanagement. Specially the financial position was the most bad side of public sectors. This is why the governments of after 75 declared to follow privatization process.

4.7 : Industrial Policy and Privatization :

As a developing country to achieve rapid economic growth, Bangladesh is trying with hard and soul. By this time we have completed many economic reform work. Many developing Programme are also running with planned way having limitations of resources. Apparently it is also emphasized about the importance of privatization government providing necessary support and assistance. As a result a new movement has been started in both sector (government and private sector). In present free market economy and globalization context government has taken decision to established

industries by private entrepreneurs and operate industries and factories with profitably to achieve economic surplus in the country. On the other hand Government has implemented many constructive works and effective reform Programme for liberalization of trade & commerce so that the private entrepreneur would do better without any doubt. Industrial policy emphasized on private sector development in Bangladesh. In the context of globalization and free market economy without the help of private entrepreneur no development can be achieved. Industrial policy encouraged private investment. Industrial policy highly recommended public private joint initiative to mitigate the challenge. Not only that the policy strongly outlined lease system as partial privatization strategy. Ministry of Industries now recommended about different techniques for privatization. Because long history of privatization in Bangladesh is not very well. This is why our Industrial policies strongly outlined about various technique for privatization such as lease, transfer, joint initiative for operation etc. That mean these system may be taken as partial privatization strategy.

Purposes of Industrial Policy (2005)³¹

- i. According to the past experience the purposes of industrial policy are to discourage setting up unplanned industries and to encourage setting up planned industries having in mind the exact demand at home and abroad.
- ii. In the context of free market and globalization to present the helping role of the government through taking up private enterprise as one of the main forces of economic advancement in the aim of boosting up private investment for healthy industrialization.
 - a. To ensure arrangement of sale/transfer/lease by privatization commission or concerned ministry in the hope of privatizing the public industries.
 - b. Government should take steps setup those economically important industries which have already been proved positive by some successful industrialists, either with its own efforts or with those industrialists.

³¹ National Industrial Policy, Ministry of Industries, Government of Bangladesh-2005.

- c. For the wide market of produce and taste of the consumers world class standard, variety, cost effective management, more value, use of continuous advanced technology should be given priority.
- d. To contribute to the GDP, meet the local demand and earn foreign exchange in a high rate the industrialists should be helped in establishing industries on local base and the products should be helped to enter international market.
- e. The other purpose in to increase employment and encourage investment setting up cottage industries in different areas of the country.
- f. Agro based products for the expansion of agro-industries should be helped through increasing poultry, dairy, goat sheep and so on.
- g. Female entrepreneur should be helped in all possible ways to establish industries.
- h. Export should be increased through boosting up production, using technology and making the variety of high rate products.
- i. The products which are congenial to environment should be produced to keep the environment pollution free for the sake of industry itself.
- j. The local market should be expanded and to expand the global market for the products more high rate products like ready made garment industries should be produced in higher quantity with foreign connections, especial the western ones.
- k. The industrial sectors should be enriched through the proper use of the local natural and mineral resources.

Privatization of State Owned Industries and Privatization Commission³²

- vi. The laws prevailing for privatization of the government sector industrial mills and factories should be followed with due importance.

³² National Industrial Policy, Ministry of Industries, Government of Bangladesh-2005.

- a State investment will be limited to /restricted to "Preserved sector". In future state investment in industrial sector would be considered as residual investment. State owned industry would be inspired.
- b Autonomous rights should be given to the existing public industries to be run smoothly through correct policies of trade.
- c Capital will be taken away from the industries under corporations except from those under public authority.
- d Cent percent shares should be sold if necessary. Even the distribution of shares and security should be common to all, and those of public industries may be sold among them.
- e People will be encouraged to buy these shares with the foreign currency that they earn.
- f If privatization commission fails to privatize the industries run by the government, the concerned ministry will sell/transfer/lease them.

Privatization Commission and Privatization Policies :

- vi. 8 The government is bound to privatize the industries and public serving organizations run by itself in the context of their deteriorating condition with the purpose of ensuring the role of private sectors in the national economy. With this aim in view government has formed privatization commission. The main aims of this commission are (a) social welfare with efficiency. (b) attraction to foreign investment and establishment of mutual relationship (c) increase in tax (d) to invest capital from losing industries to the organizations concerned with public service, and (e) Creating opportunities and preserving them through increasing competition.

The policies for Privatization to be followed :

- vi. 9 (a) The interest of the employees and the officers,
(b) The importance of customer's plan and with full desire
(c) The avoidance of possible closure of all kinds of industry,

- (d) The market value to be considered to fix the price.
- (e) The interest of the consumers to be considered
- (f) Transferable documents or deeds to be kept.
- (g) Transparency and secrecy is needed and indiscriminative conduct should be maintained.

The work-log of the Privatization Commission in brief :

- vi. 10. (a) Planning regarding privatization,
- (b) To evaluate the possibility of the target industry/trade/public serving organization,
- (c) to prepare guide line for the evaluation feature regarding privatization.
- (d) The selling of the industry through tender
- (e) Transfer of the partial share to the organizations employees when the selling of the shares are in action through stock-exchange
- (f) selling of the government share by the private limited company.
- (g) Signing of management deeds.
- (h) Leasing
- (i) Selling of resources directly/liquidation
- (j) Preparing the features of advancement of the activities related to privatization.
- (k) Receiving the return of possession of the privatized organization.

4.8 : Assessments of Privatization :

Privatization in Bangladesh is a long time process which was actually started in 1973. After a few years* of Nationalization the Programme resulted not so good. Government took steps to overcome the situation. The then privatization started as Denationalization & disinvestment form. Up to 1982 about 217 units transferred by DI or DN.³³ In 1976 privatization work started functioning as specialized work which is till to date. Privatization is an important subject to national economy. But

³³ Sobhan, Rehman. De nationalization and Disinvestment of profile and performance. BIDS research report 84

in this sector the assessment or research study is very limited. It is strongly needed to assessed privatization in Bangladesh. We know the result of privatization is not so good. Because there are so many reasons which should be identified specifically. To comment about privatization, we have to find out the actual output of this sector. Though we have long history of privatization we could not reduced the losses of public sector or decreased the size of public enterprises. So we should take the steps which are necessary to reduce financial losses of our public sectors.

How ever the ultimate result or output of privatization is not so good. There are so many problems involved with pre & port privatization Programme. Privatized public enterprises are not operating well. They are not making profit better than previous. Private enterprises are not paying the dues as per rule. They did not produce better than past. The sales volume are not satisfactory. A few number of public enterprises became success to continue profit. The employee condition of these privatized organizations are not so good. Many employees lost their job due to transfer of the organizations from public to private. How ever there is no government assessment of privatized organizations in Bangladesh totally. Partially some works done by renowned economist Prof. Rehman Sobhan in early stage of privatization as disinvestment and the nationalization form. and later Ministry of Industries conducted a servey in mid 80's. In this stage we can mention the description of privatized/the Nationalization or returned enterprise. It can be shown separately. That mean first phase in 1976-1982 which was actually done before established privatization board. Another phase is done after established privatization authority, board and at last commission that is 1993 to till date.

TABLE : 9, Number of Disinvested/Denationalized units by corporations. 82

Section & Corporation	Units Owned	Total DI	Under process of Partial DI	Returned to ex owner DDN	B/DN Total
BCIC	88	51	5	7	63
BSFIC	68	35	6	5	46
BSEC	64	22	8	5	35
BFIDC	22	3	0	0	3
BJMC	79	5	0	32	37
BTMC	60	4	0	28	32
All Corporation	381	120	20	77	217

Source : Ministry of Industries & Commerce & the Sector Corporation.

TABLE : 10

From table 10 we can identify the production analysis after DI. Out of 35 Industries Production rise 19, fall-11, layed off-5, That is 45.7% Industries became failure to raise them production than previous.

TABLE 10, AVERAGE ANNUAL PRODUCTION PERFORMANCE-PRE & POST DISINVESTMENTS CHANGES

sectors and corporations	Sample No. of Units	Rise	Fall	At present Layer off	Post Data not Reported	Sample No. of Units in (3) & (4)	Unit Which has Stopped Producing one or more item	Units Which now Produces New Item
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Tannery	7	4	1	1	1	5	4	3
Robber	5	1	2	2	0	3	7	1
Paper	1	0	0	0	1	0	N.A.	N.A.
Synthetic	1	0	1	0	0	1	0	0
Match	3	2	1	0	0	3	0	0
Bsic (Total)	17 (100)	7 (41.2)	5 (29.4)	3 (17.6)	2 (11.8)	12	7	4
Oil	4	2	1	1	0	3	1	0
Tobacco	6	5	1	0	0	6	0	0
Bsfic (Total)	10 (100)	7 (70)	2 (20)	1 (10)	0	9	1	0
Aluminium	2	0	2	0	0	2	1	0
Metal	5	2	1	1	1	3	1	0
Eng.	1	0	0	0	1	0	0	0
Bsec (Total)	8 (100)	2 (25)	3 (37.5)	1 (12.5)	2 (25)	5	2	0
Bjmc	3 (100)	2 (66.7)	1 (33.3)	0	0	3	0	0
Btmc	1 (100)	1 (100)	0	0	0	1	0	0
Total	39 (100)	19 (48.7)	11 (28.2)	5 (12.8)	4 (10.3)	30 (100)	10 (33.3)	4 (13.3)
Total (Excluding). R. (Data)	35 (100)	19 (54.3)	11 (31.4)	5 (14.3)				

- Notes :
1. Figures in brackets indicate percentages in this table and all the following tables. They may not add to 100 due to rounding.
 2. Information on units shut down has been obtained from the Ministry of Industries and Commerce & the National Board of Revenue Revenue Records.
 3. Columns (8) & (9) may overlap and will not add to column (7).

Source : Derived from the data collected for the Ministry of Industries & Commerce and the Sector Corporations.

TABKE 11 : EMPLOYMENT-PRE AND POST ^SDIVESTMENT CHANGES (NO. OF UNITS)

Sectors and corporations	Sample No. of Units	T O T A L E M P L O Y M E N T					
		A. Including Casual Labourers			B. Excluding Casual Labourers		
		Rise	Fall	Same	Rise	Fall	Same
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Tannery	8	4	4	0	2	6	0
Rubber	3	1 ²	1	1	1	1	1
Paper	1	1	0	0	1	0	0
Synthetic	1	1	0	0	1	0	0
Matches	1	0	1	0	0	1	0
Bcic (Total)	14 (100)	7 (50)	6 (42.9)	1 (7.1)	5 (37.5)	8 (57.1)	1 (7.1)
Oil	3	0	3	0	0	3	0
Tobacco	4	2	2	0	1	3	0
Bsfic (Total)	7 (100)	2 (28.6)	5 (71.4)	0	1 (14.3)	6 (85.7)	0
Aluminium	2	0	2	0	0	2	0
Metal	4	2	2 ²	0	1	3	0
Eng.	1	0	1	0	0	1	0
Bsec (Total)	7 (100)	2 (28.4)	5 (71.4)	0	1 (14.3)	6 (85.7)	0
Bjmc	2 (100)	2 (100)	0	0	2	0	0
Btmc	1 (100)	0	1 (100)	0	0	1	0
Total	31 (100)	13 (48.7)	17 (28.2)	1 (3.2)	9 (29)	21 (67.7)	1 (3.2)

- Notes :
1. These units have been closed down ultimately.
 2. One of these have been closed down ultimately.

Source : Sector Corporations and Ministry of Industries and Commerce.

Employment position : Employment position is one of the important subject matter involved with privatization. Table 11 showing the analytical scenario of employees in pre and post privatized industries. In this table out of 31 sample units number of employees rise in 13 tall in 17 (54.8%) which is harmful from the view point of job security.

TABLE : 12

PROFIT MAKING UNITS DISINVESTED BEFORE AND AFTER JUNE 82
AND TAX PAYMENTS BY UNITS DISINVESTED AFTER JUNE 82.

corporations	Until June '82		After June '82		Until After June '82 June '82		After June '82	
	Sample No. of Di Units	No. Making Profits Last Year Before Di	Sample No. of Di Units	No. Making Profits Last Year Before Di	% of profit (3)+(2) %	Earning Units (5)+(4)	Total Profits Earned by Units Making Profits in Last Year	Total Taxes Paid by Units in Last Year-1
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Beic	35	9	11	6	25.7	54.5	83.43	741.33
Bsfic	17	4	21	17	23.5	90.5	352.16	842.35
Bsec	14	9	14	11	64.3	78.6	165.14	363.02
Bjmc	2 ¹	0	-	-	0	0	N. A.	N. A.
Btmc	1 ³	0	-	-	0	0	N. A.	N. A.
All Corporations Total	69	22	46	36	31.9	78.3	600.73	1946.70

Notes : 1. For BCIC and BSEC last year refers to 84/82. For BSFIC, however, this refers to 80/81.

2. In this case last year refers to 1980/81 for BCIC & BSFIC & 1981/82 for BSEC.

3. The BJMC and BTMC units shown are those, which have been disinvested previously.

And to not belong to the package of the recently denationalized mills.

Source : Sector Corporations.

2nd Phase : Privatized under privatization Board, Authority & Commission.

Government of the People's Republic of Bangladesh

Privatization Commission

Jiban Bima Tower (13th -14th floor)

10, Dilkusha C/A, Dhaka-1000.

UP TO DATE STATUS OF PRIVATIZATION

Progress in Privatization Programme during the period of 1993-96

Since the period of the Privatization Board in 1993, 12 Enterprises were privatized up to June, 1996. Among the 12 Enterprises, 7 were privatized through outright sale and 5 were privatized through sale of shares.

Table : 13, Privatized as Enterprise.

(Tk. in Lac)

Sl. No.	Name of the Enterprises	Land Area (Acres)	Sale Price	Long term Liabilities (Appro.)	Total Sale Price
1.	Madaripur Textile Mills, Madaripur	29.16	807.00	220.78	1027.78
2.	Sharmin Textile Mills Ltd., Dhaka	27.76	1176.00	1157.97	2333.97
3.	Kishoreganj Textile Mills, Kishoreganj	24.91	953.00	37.47	990.47
4.	Kohinoor Spinning Mills, Dhaka	38.02	1793.68	91.86	1885.54
5.	Zofine Fabrics Ltd., Dhaka	1.50	125.08	39.86	164.94
6.	Barisal Textile Mills, Barisal	27.50	500.10	161.00	661.10
7.	Bangladesh Cycle Industries, Dhaka	1.48	228.46	9.16	237.62
	Total:		5583.32	1718.10	7301.42

Table : 14, Privatized by Sale of Govt. shares-14 (Tk. in Lac)

Sl. No.	Name of the Enterprises	Govt. Share (%)	Sale Price	Long term Liabilities.	Total Sale Price of the Govt. Shares
1.	Kohinoor Chemical Company, Dhaka	51 %	797.00	2875.00	3672.00
2.	Chittagong Cement Clinker Company, Chittagong	51	3350.00	1379.00	4729.00
3.	Eagle Box & Carton Manufacturing., Dhaka	51	200.00	--	200.00
4.	Squibb (Bangladesh) Ltd., Dhaka	40	11.25	--	11.25
5.	Dhaka Vegetables Oil, Dhaka	51	1393.70	1375.70	2769.40
Total			5751.95	5629.70	11381.65

Progress in Privatization Programme during the period of 1996-2001**Table : 15, Privatized as Enterprise (Handed Over)**

(Tk. in Lac)

Sl. No.	Name of the Enterprises	Land Area (Acres)	Sale Price	Long term Liabilities (Approx.)	Total Sale Price
1.	Purbachal Jute Industries, Noapara, Jessore	41.30	535.00	--	535.00
2.	Bangladesh Cold Storage, Munsinganj	3.91	125.05	--	125.05
3.	Royal Textile, Bandarban	4.74	23.8.9	--	23.89
4.	I.k. Industries, Chittagong	1.012	70.15	--	70.15
5.	Feroz Ata, Dal Mills, Khulna	0.0014	0.43	--	0.43
6.	National. Ice Factory, Kishoreganj	0.65	11.51	--	11.51
7.	B.G. Bngla Rice Mills, Thakurgaon	4.16	17.18	--	17.18
8.	Engineering Industries Ltd., Tongi	4.73	301.32	16.85	318.17
9.	Can Making & Tin Printing Plant, Chittagong	1.50	160.06	60.32	220.38
10.	Zeenat Textile Mills Ltd., Tongi, Gazipur	13.34	205.00	1730.73	1935.73
Total:			1449.59	1807.90	3257.49

Table : 16, Following enterprises have been privatized through handing over to workers/employees of the concerned enterprises:

(Tk. in Lac)

Sl. No.	Name of the Enterprises	Land Area (Acres)	Sale Price	Long term Liabilities (Appro.)	Total Sale Price (Tk. in Lac)
1.	Meghna Textile Mills, Tongi, Gazipur	17.12	--	8220.12	8220.12
2.	Olympia Textile Mills, Tongi, Gazipur	15.10	--	1635.09	1635.09
3.	Monno Textile, Mills, Tongi, Gazipur	12.54	--	2328.77	2328.77
4.	Fine Cotton Mills, Tongi, Gazipur	--	--	--	--
5.	Luxminarayan Cotton Mills, Godnyle, NarayanganJ,	18.67	--	1041.28	1041.28
6.	Pylon Industries Ltd., Chittagong	2.52	--	--	--
7.	Kariline Silk Mills, Fouzderhat, Chittagong.	3.39	--	260.02	260.02
8.	Dhaka Cotton Mills, Dhaka.	4.14	--	1306.78	1306.78
Total:			--	14792.06	14792.06

Table : 17 The Sale of Govt. shares of the following 10(ten) multinational/national companies has been completed:

Sl. No.	Name of the Enterprises	Govt. Share (%)	Number of Govt. Shares	Total Price of the Govt. Shares (Tk. in Lac)
1.	Berger Paints Bangladesh Ltd. Chittagong.	42.33	233128	2673.98
2.	Siemens Bangladesh Ltd., Dhaka	31.66	633	46.26
3.	Van Pmmeran Tank Terminal Ltd., Chittagong	50.00	600000	661.22
4.	International Oil Mills, Ltd., Chittagong	50.00	98600	351.69
5.	Reckit & Colman (Bd) Ltd.	6.97	315800	560.82
6.	Metalex Corporation Ltd.	51.00	25500	27.97
7.	National Iron & Steel Industries Ltd., Chittagong	18.80	111200	153.33
8.	Islami Bank Bangladesh Ltd.	5.00	16000	622.78
9.	Eantern Bank Ltd.	20.00	1200000	1317.50
10.	National Bank Ltd.	5.00	191260	418.50
Total:				6836.05

Table : 18, Progress in Privatization Programme during the period November, 2001 to till date

A. Privatized as Enterprise (Handed over)

Sl. No.	Name of the Enterprises	Land Area (Acres)	Sale Price	Long term Liabilities (Appro.)	Total Sale Price (Tk. in Lac)
1.	Deshbandhu sugar mills Ltd . Narshingdi	14.63	235.00	1535.00	1770.00
2.	Mymensingh jute mills Ltd. Mymensingh	45.61	1102.00	--	1102.00
3.	Nishat jute mills Ltd .Tongi , Gazipur	22.90	1900.00	2025.43	3925.43
4.	Corn flour mills Ltd . Narayanganj		106.00		106.00
5.	Cabinet Manufacturing plant ,Mirerdanga,Daulatpur ,khulna	1.0836	102.03	--	102.23
6.	Wood Treating plant , Mirerdanga,Daulatpur,khulna	8.5386	606.78	--	606.78
7.	Mangrove Tannin Plant, Mirerdanga, Daulatpur, Khulna	1.1869	87.38	--	87.38
8.	Bangladesh Oil Mills. Khulna	1.20	16.11		16.11
9.	Kaliachapra Sugar Mills, Ltd., Kishoreganj	184.03	450.00	1900.00	2350.00
10.	Fish Export, Khulna	8.00	46.20	--	46.20
11.	Bawa Jute Mills, Narayangaoj	14.98	507.00	--	507.25
12.	Service Facilities Centre (SFC), Siraganj	2.62	105.25	--	105.25
13.	Noakhali Textile Mills Ltd., Raipur, Laxmipur	15.73	440.00	--	440.00
14.	Kohinoor Battery Manufacturers Ltd., Tongi	9.715	2147.00	609.76	2756.76
15.	Nabarun Jute Mills, Narayanganj	41.45	441.07	955.12	1396.19
16.	Sangu Vally Timber Industries, Chitagong	10.53	516.28	--	516.28
17.	Hafiz Textile Mills, Ltd., Chittagong	45.88	843.27	431.75	1275.02
18.	Fisheries Net Factory, BSCIC Industreal Area, Ashoktola, Comilla	0.42	48.30	--	48.30
19.	Fisheries Net Factory (Mongla), BSCIC Industrial Area, Ashoktola, Comilla (only machinerics)	--	30.00	--	30.00
Total			9729.87	7457.06	17186.93

Privatization progress report on 20.10.2005 about 72 organizations has been privatized or going privatized in different form. But this performance is not satisfactory.³⁴ Because privatization work limited in small area of our large public sector. By means of privatization national economy can not be improved by reducing financial loss. Privatization progress report 2001 mentioned that from 1992-93 to 1999/2000 in eight financial year, 40 enterprises of 7 sectors had incurred a loss amounted Tk. 6,723.46 crore. Bangladesh Railway, T & T, postal department, nationalized Banks, Insurance and other financial institution out of this account. In 1999/2000 financial year the net loss of mentioned organization of 7 sector was Tk. 2197.26 crore. It has been raised in 2000/2001, on Tk. 3310.60. In the financial year 2000-2001, the petroleum corporation of commerce sector incurred highest amount of loss which is Tk. 1946.88 crore. The loss of our utility sector is amount of Tk. 924.99 crore. B.P.D.B has incurred Tk. 729.74 cror and Industrial sector Tk. 525.38 crore. The progress report of 2001 also mentioned the privatization work is limited in 5 corporations of Industrial sectors mainly. In (2000-01) this sectors Privatization work is limited in 5 corporations of ministry of Industry which are mentioned below :

- a) B.T.MC
- b) BSEC
- c) BSFIC
- d) BCIC
- e) BJMC

Without this time corporation and other important sectors are to be privatized urgently which are telephone, Railway, Biman. Transport & communication, Commerce, Construction and service oriented organizations. Because these sectors are incurring huge amount of financial loses among public organizations every year. Due to some reasons privatization commission cannot privatizing the important public organization which are earning maximum financial losses. These are

- 1) Bureaucratic complexity/Administrative Lengthiness
- 2) Restrain from interested group
- 3) Long term credit

³⁴ Privatization progress report 2005.

- 4) Few numbers of entrepreneur
- 5) Problem in making inventory
- 6) Delay of the payment by purchaser
- 7) Legal procedure problem/court case
- 8) Lack of intergrated performance for privatization.

Now the time to realise the privatization problem strongly. It is needed to be implement integrated initiative for privatize all public sectors/organizations. Which are important. Because private sector should be gear-up for playing significant role in productive and commercial activities of the state.

5. Rationale of Partial Privatization

- 5.1 **Introduction :** This study aimed to find out about the feasibility of partial privatization as effective privatization technique in Bangladesh. We have started privatization Programme in 1976 at first. This long history of privatization did not fulfilled the expectation of the people of Bangladesh. Because Privatization Programme is limited in a few number of enterprises under ministry of Industry mainly. The losses of public organizations has not decreased but gradually increasing. Public or private no sector performing well to do in order to achieve sufficient standard to mitigate the challenges arises by globalization and free market economy. In this context government thought about partial privatization Programme. This Programme is a new venture. It is effective and feasible. This Programme is seems to able reducing financial losses of public enterprises. Partial Privatization Programme refers no need to transfer of property or do not require huge amount for investment. Because under this system government property kept to the government and the week or important part of the organization transferred to the private entrepreneur or operator so that effective operational standard may be established. Our public enterprises has been suffering from mismanagement, Corruption, nepotism and below standard of operation which are liable for financial loss and below standard of service. Partial Privatization Programme create liability to private operator also. They are more efficient and sincere. It is a new challenge. This Programme is a unique system. This Programme provides huge amount of revenue which can reduces financial losses of public enterprises. On the other hand private operator is able to provide efficient services which is demand of globalization. Internationally business environment has dramatically changed. Bangladesh has an impact on the context of global and regional economy. We have to gear up private sector led growth. Partial Privatization Programme is very much suitable Programme at our present economic condition. Bangladesh government has taken this Programme and implemented in various sector with limited range. Parjatan Motel, Desco in P.D.B, Bill collection of Titas Gas, Some services of Railway are mentionable partial privatization Programme

of Bangladesh government.³⁵ In mid Ninteens Intellectuals, Political leaders technocrat and renowned economist, analyst had meet on several seminars, symposium to recovery the heritage of Bangladesh Railway which is all ready lost. Asian development Bank suggested to Railway at that time to take the Railway recovery Programme. This Programme taken by the Government for Railway Department. This recovery Programme was divided on five categories. Partial Privatization is one of them. Partial Privatization Programme gradually increases in Railway. This Programme is seems to be feasible Because after operation this Programme is continuing successfully. This study aimes to comprehensive analysis of Partial Privatization Programme of Bangladesh Railway.

5.2 Partial Privatization Programme using in various organizations :

In Bangladesh so many organizations using P.P.P (Partial Privatization Programme) under various ministries. Some of the mentionable examples given below :

³⁵ প্রফেসর ড. নাজমুল কবির চৌধুরী ও সওকত ওসমান, "কৌশলগত বেসরকারী করণ" রাস্ট্রায়ত্ব বাতে দুর্বলতা নিবরণে কার্যকর ভাবনা। (বি.আই.ডি.এস ১৪০৯ বর্ষ সংখ্যা)

Table : 19. Partial Privatization Programme using by the Public Sector Organizations in Bangladesh

Name of the Ministry	Programme Functioning	Institutions
Education	<ul style="list-style-type: none"> * Writing, Printing & Marketing of text books in SSC & H.SC level. * Printing of books primary level. * Independent Inspection Authority (Private organization engaged for inspection of school and colleges due to recommendation for MPO) * Higher education system has been privatized under the guidance of government. 	N.C.T.B U.G.C
Finance	Management contract of Agrani Bank	
Energy and mineral resources	Electricity supply, Bill delivery & collection. Bill delivery & collection (Dhaka City) Power generating authority (50 M.W)	DESCO Titas Gas P.D.B.
Ministry of Forest	Social forestation (Govt. and Public jointly operates this Programme)	Agriculture department
Civil Aviation & Tourism Ministry	<ol style="list-style-type: none"> 1) International routes operation are partially privatized 2) Commercial operation of Parjatan motels 3) Ground Operation of Shah Amanat International Airport has given to Thai Airways. 4) Partial security of Zia International Airport has been privatized. 	Civil Aviations Parjatan Civil Aviations Civil Aviations
Ministry of Postal & Telecommunication	<ol style="list-style-type: none"> 1) Private operator allowed to postal service 2) Mobile phone service 3) Land phone service 	Postal Dept B.T.R.C B.T.R.C
Ministry of Communication	<ul style="list-style-type: none"> * 70 Passengers train handed over to private operator for Commercial operation * Ticketing and Reservation works of intercity train has been privatized. * Some stations handed over to private operator for cleaning and beautification programme. * Tool collection of highway Bridges. * Hati Kamrul-Banpara Highway given to private operator for management. 	Railway Railway Railway Roads & Highways
Ministry of Health & Family Planning	<ul style="list-style-type: none"> * Cleaning and waste management work has been Privatized experimentally in some hospitals (PG Hospital) <p>Future Plan :</p> <ul style="list-style-type: none"> * Specialized Hospital management contract to foreign entrepreneur * Community Hospital at union union Parisad level. by NGO & Private Entrepreneur. 	

5.3 Rational of Partial Privatization Programme in Bangladesh Railway:

5.3.1. Bangladesh Railway and its Scenario

BANGLADESH RAILWAY, covering a length of 2855 route kilometers manage by 34,168 regular staff. is Government -owned and Government managed transportation agency of the country.

Bangladesh Railway has started its operation by Construction of 53.11 Km. of Broad Gauge line between Darsana and Jagati of Kushtia district by Eastern Bengal Railway.³⁶

5.3.2. The network at present:

Bangladesh Railway has a total of 2,855 route kilometers of MG track only and West Zone has 553 route kilometers of MG 660 route kilometers of BG and 365 route kilometers of DG track. The total length of running track including track on double line, in the yards and sidings is 4,443 kilometers.³⁷

Table : 20 Table showing the track description of B.R

Year July- June	MG			BG			DG			Total System		
	East Zone	West Zone	Total	East Zone	West Zone	Total	East Zone	West Zone	Total	East Zone	West Zone	Total
1969-1970	-	-	1,935.16	-	923.07	923.07	-	-	-	-	-	2,858.23
1995-1996	1,279.09	543.03	1,822.12	-	883.89	883.89	-	-	-	1,279.90	1,426.92	2,706.01
1996-1997	1,279.09	543.03	1,822.12	-	883.89	883.89	-	-	-	1,279.90	1,426.92	2,706.01
1997-1998	1,279.09	533.03	1,832.12	-	901.39	901.39	-	-	-	1,279.90	1,454.42	2,733.51
1998-1999	1,279.09	533.03	1,832.12	-	901.39	901.39	-	-	-	1,279.90	1,454.42	2,733.51
1999-2000	1,279.09	533.03	1,832.12	-	936.25	936.25	-	-	-	1,279.90	1,489.28	2,768.37
2000-2001	1,279.09	533.03	1,832.12	-	936.25	936.25	-	-	-	1,279.90	1,489.28	2,768.37
2001-2002	1,301.82	533.03	1,854.85	-	936.25	936.25	-	-	-	1,301.82	1,489.28	2,791.10
2002-2003	1,301.82	533.03	1,854.85	-	660.22	660.22	-	365.00	365.00	1,301.82	1,578.25	2,88.07
2003-2004	1,276.71	533.03	1,829.85	-	660.22	660.22	-	365.00	365.00	1,276.71	1,578.25	2,854.96

³⁶ Annual report, Bangladesh Railway 2004

³⁷ Annual report, Bangladesh Railway 2004

5.3.3 Number of Stations :

Bangladesh Railway had a total of 459 stations at the end of the year 2003-2004. These include one block hut, thirteen train halts and four goods booking points.

5.3.4 Passenger Traffic :

Bangladesh Railway is the principal mode of transportation in the country, With the development of road transport facilities there has been a shift in the trend of passenger traffic with short distance passengers preferring road transport, because of their frequent and point to point services. During 2003-2004, about 43 million passengers were transported by Bangladesh Railway against about 39 million during 2002-2003. In order to render better services to the passengers, Bangladesh Railway introduced Intercity Train services in 1985. At present there are 54 Nos. of Intercity Trains running. Around 39% of the total passengers of Bangladesh Railway are being carried by the Intercity trains which contribute approximately 75.5% of the total earning of passenger traffic.³⁸ Derails are shown in Table No. 25&26.

³⁸ Bangladesh Railway, Annual report 2004

Revenue	Revenue	Revenue	Revenue	Revenue	Revenue
form	Per	Per	from	Per tonne	Per tonne
Passanger	Passenger	Passengers	freight	(Taka)	Kilometre
Carried	Taka	Kilometre	Tonnes		(Poisha)
Thousand		(Poisha)	carried		
Taka			(Thousand		
			Taka)		

Year

July-June

Table : 21 Showing the earnings from per passenger and per ton.

1969-70	10.17.11	1.38	3.04	16.38.31	33.54	12.7
1995-96	86.12.25	26.33	25.35	110.44.10	433.01	140.5
1996-97	100.36.34	26.77	26.29	103.85.36	353.74	123.6
1997-98	112.04.08	29.25	28.61	118.08.32	388.69	138.8
1998-99	131.28.84	36.23	34.63	134.67.50	394.00	142.4
1999-00	145.82.23	37.74	35.79	118.35.30	409.69	147.0
2000-01	156.57.16	37.99	35.93	130.72.77	377.28	138.1
2001-02	158.91.63	41.05	38.65	145.91.62	397.92	147.5
2002-03	161.10.62	41.14	38.54	144.32.46	393.68	146.2
2003-04	173.24.35	39.89	38.20	133.98.65	385.79	144.8

5.3.5 Freight Traffic :

The railway has been facing tough competition with other modes of transport for the high rated traffic, which pay more revenue. On the other hand, the railway is called upon to carry traditional low rated essentials. As a national carrier, BR has obligation to carry essential commodities like food grains, fertilizer, jute, cement.

coal, iron and steel, stone & boulders, petroleum products, salt, sugar etc. to the remote corners of the country at a cheaper rate. The freight traffic during 2003-2004 was 3, 473 thousand Metric Tons against 3,666 Thousand Metric Tons during 2002-2003.

5.3.6 Operational Problems :

Bangladesh Railway has been suffering from various operating bottlenecks. The Railway system comprises two gauges, Broad and Metre which involves transshipments of traffic at the break of gauge points. Similarly transshipment are also involved at riverain points. The railway link over the Bangadandhu Jamuna Bridge connecting the East and West zones through the construction of 99 km new dual gauge line and rehabilitation and conversion of 245 km Broad Gauge line from Jamtoil to Parbatipur to Dual Gauge has eased out these operational problems considerably. Further improvement will be achieved after completion of the following on going/ proposed work, viz.9a) railway link between western side of Jamuna Bridge to Bogra, (b) railway link between eastern side of Jamuna Bridge to Tarakandi, and (c) conversion of MG track to DG Track from Joydebpur to Dhaka.

5.3.7. Social Cost & Compensation

BR is one of the largest Govt. enterprises in the country, playing a vital role in the socio-economic development & industrialization of the country. BR is expected to serve both as a commercial enterprise and as a public utility service. As a commercial enterprise, BR has an obligation to generate sufficient revenue to meet its cost and as a public utility service it has a special responsibility to provide transport facilities to large number of passengers and movement of essential commodities for mass consumption. BR is also required to provide transport facilities in emergent situations like flood, cyclone, draught etc. In addition the Railway has to some costs in the matter of education and medical care

of railway employees and their wards, deployment of police forces in railway premises, etc.

In discharging all these social obligations, BR has to bear certain cost burdens namely 'Social Cost' Some important items of social cost are noted below.

- . **Carrying essential commodities and rendering transport facilities to passengers at lower prices than cost of services.**
- . **Operation of un-economic branch lines :**
- . **Carrying Relief Materials at concessional rates :**
- . **Carrying military traffic at less than normal tariff.**

Compensation for Social Cost :

BR is compensated under "Public Service Obligation (PSO)" system for operating specific services which are not commercially viable but socially necessary. This concept has been accepted by the Govt. which are being reflected in the Revenue Budget since 1993-94. This replaced the open-ended subsidy and BR has been able to cover its operating expenses.

5.3.8 Financial Summary of Bangladesh Railway during the year 2003-2004:

The total operating revenue without considering the effect of Public Service Obligation (PSO) and Welfare Grant of Bangladesh Railway for the year 2003-2004 amounted to Tk. 3,941.72 million. After meeting the total operating expenses of Tk. 6,394.06 million, the net operating income for the year came to (-) Tk. 2,452.34 million.

On the other hand, Government paid an amount of Tk. 860.00 million and Tk. 174.08 million as PSO compensation and Welfare Grant respectively. As a result, the total operating revenue duly considering the effect of PSO and Welfare Grant for the year 2003-2004 amounted to Tk. 4,975.79 million. So after meeting the total operating expenses of Tk. 6,394.06 million, the net operating income for the year came to (-) Tk. 1,418.27 million.

The interest and installments on foreign loans taken on replacement account amounted to Tk. 227.8 million and Tk 2.38.0 million respectively.

During 2003-2004 average revenue per passenger as well as revenue per passenger-kilometer decreased as compared to those of 2002-2003. Revenue per passenger decreased from Tk. 41.14 to Tk. 39.89 i. e. by 3.04% and revenue per passenger kilometer decreased from 38.54 poisha to 38.20 poisha i. e. 0.88%. Average Distance traveled by passenger from 102.8 kilometers in 2002-2003 to 100.0 kilometers in 2003-2004.

In goods traffic, there was decrease in revenue per tonne and decrease in revenue per tonne kilometre. Average revenue per tonne decreased by 2.00% from Tk. 393.68 in 2002-2003 to Tk. 385.79 in 2003-2004 and revenue per tonne-kilometre decreased by .096 % i. e. from 146.2 poisha in 2002-2003 to 144.8 poisha in 2003-2004. The average haul of freight traffic decreased from 259.7 kilometres in 2002-2003 to 257.9 kilometres in 2003-2004.

The total operating revenue without considering PSO and welfare grant for the year 2003-2004 amounted to Tk. 3,941.72 million as compared to Tk. 4,200.98 million in 2002-2003 representing a decrease of 6.17%. Passenger earnings in 2003-2004 amounted to Tk. 1,732.44 million, showing an increase of 7.53 % as compared to the earnings of 2002-2003 amounting to Tk. 1,611.06 million. Other coaching (Parcel and Luggage) earnings in 2003-2004 representing an increase of Tk.4.09%. Miscellaneous earnings also showed a decrease of 26.8% from Tk. 1,040.17 million in 2002-2003 to Tk. 761.38 million in 2003-2004.

The total operating expenses for the year 2003-2004 amounting to Tk.6,394.06 million, exhibits an increase of 8.98% as compared to the working expenses of 2002-2003 amounting to Tk. 5,867.13 million. The operating ratio increased over the previous year from 139.7 in 2002-2003 to 162.2 in 2003-2004 without considering the effect of PSO and Welfare Grant. The Operation Ratio becomes 128.5% in the year 2003-2004 if the effect of PSO and Welfare Grant is considered.

During the year 2003-2004, net operating income of Bangladesh Railway amounted to a deficit, Tk. 245,23,41 Fig operating income are given below :-

Table : 22, (Year July-June) Revenue income of Bangladesh Railway since 1969 to 2004.

Taka

	Total operating revenue	Total operating expenses		Net operating Income
1969-70	30,30,39	25,27,51,	(+)	5,02,88
1995-96	284,09,16	401,58,77	(-)	117,49,61
1996-97	330,64,20	414,16,86	(-)	83,52,66
1997-98	350,90,72	433,36,42	(-)	82,45,70
1998-99	374,26,58	461,15,37	(-)	86,88,79
1999-00	341,49,68	469,86,04	(-)	128,36,36
2000-01	366,39,31	523,87,70	(-)	157,48,39
2001-02	388,39,31	535,48,37	(-)	147,08,52
2002-03	420,09,76	586,71,32	(-)	166,61,56
2003-04	3984,17.1	639,40,56	(-)	245,23,41

6. Partial Privatization Programme in B. R.

6.1 Introduction :

Bangladesh Railway is the oldest institution in the communications sector which still can play an important role in accelerating the pace of trade and commerce along side carrying passengers. But Bangladesh Railway has been limping along on the continued financial loss and shortage of staffs and huge areas. The gigantic public organization has been burdened with a loss of around Tk. 15000 crore accumulated during the last 33 years.³⁹ The amount of loss in 2003-04 fiscal year is Tk. 2452341000/=. Once BR was run profitably and it can once again run as a commercially viable entity. BR can only survive by attaining commercial viability and this could only be achieved by a well planned and well implemented reform agenda.⁴⁰ Everybody thoughts for positive approach, upgradation services and modernization of railway to make.

It a profitable organization. In order to attain commercial viability of B.R it appeared that the targets of financial reorganization should be set out in definite phases :

- a) reducing current level of subsidy (short term objective)
- b) achieving break even cost plus stater (medium term objections.)
- c) Full financial viability i.e. generating real profit and return on investment (long-term objection).

Source (C.P.D Report-7, 1994

In order to achieve aforementioned objectives, gradual transformation of B.R in to a commercially oriented organization. Due to that Bangladesh Railway has embarked upon a comprehensive Railway Recovery Programmed (RRP) in order to improve its financial performance through increased efficiency and cost reduction. The key elements of RRP are-

³⁹ Daily Star 23-06-04

⁴⁰ A report on a National policy Dialogue C.P.D-1994 no. 7

- ✧ Improving labor productivity primarily by primarily by reducing surplus employees;
- ✧ Reducing losses on passenger services by closing money losing services and sections;
- ✧ Replacing open ended subsidy with compensation under Public Service Obligation (PSO) system;
- ✧ Improving operational efficiency through optimizing the use of assets;
- ✧ asking the Railway more responsive to market needs through organizational reform incorporating structural changes and sound business practices;
- ✧ Exploiting commercially surplus land and other capacities of Railway.

6.2 Reform Process and Private sector involvement :

The principles of the reform process in BR is to transform .BR into a more commercial organization. The would result in a sustainable and financially viable carrier and ensure less government interference in respect of organizational and commercial decisions of BR. This would mean progressive independence of BR from the Gatemen.

In the process of reform efforts, major achievements are :-

- ✧ Reduction of workforce form 58000to 38000(through voluntary separation & natural attrition).
- ✧ Closure of a number of money losing branch lines , stations sheds, depots etc. and withdrawal of some non profitable passenger train services .

- ✪ Adoption of PSO principle for compensation by the Government for running services on social consideration, in place of open subsidy .
- ✪ Tariff fixation on commercial principle.
- ✪ Association of private sectors in different activities .

Minister of Communications Presiding over a Development Review Meeting at Rail Bhaban conference room on 29.9.04.

6.3 Area of Privatized Operation in BR:

BR started private sector association of its commercial and other activities from 1997. As on June, 2004 , 'Commercial Activities' of 70 nos. Mali, Express & Local trains and ' On Board ' services of 10 nos. of Intercity trains were licensed out.

Commercial Activators :

Table : 23, No, Name & Date of Licensing of Privatized trains in Bangladesh Railway.

Train Number	Section	Date of Licensing
3/4	Dhaka-Chittagong	11-01-02
7/8	Dinajpur-Balashighat	21-10-02
11/12	Noakhali-Dhaka	10-05-03
15/16	Khulna-Chapai Nawabgonj	03-03-03
17/18	Akhaura-Sylhet	20-11-03
19/20	Santahar-Timohoni	21-10-02
21/22	Santahar-Trimohoni	19-11-03
23/24	Khulna-Parbatipur	13-11-03
25/26	Khulna-Goalanda Ghat	07-05-03
27/28	Parbatipur-Chilahati	13-11-03
31/32	Rajshahi-Parbatipur	05-05-04
33/36	Dhaka-Mymensingh	29-08-02
45/46	Noakhali-Akhaura	10-05-03
47/48	Mymensingh-Dewangonj Bazar	21-06-04
49/50	Dhaka-Mymensingh	31-10-02
51/52	Dhaka-Jamalpur	25-11-02
53/54	Khulna-Benapol	05-05-04
221/240	Dhaka-Narayangonj	01-02-03
411/412	Lalmonirhat-Parbatipur	07-05-03
431/434	Parbatipur-Lalmonirhat	05-05-04
453/454	Lalmonirhat-Burimari	16-09-03
455/456	Lalmonirhat-Burimari	07-05-03
461/462	Lalmonirhat-Parbatipur	19-11-03
481/482	Santahar-Lalmonirhat	19-11-03
491/492	Santahar-Parbatipur	11-11-03

Table : 24, On Board Services of the train of Bangladesh Railway.

701/702	Chittagong-Dhaka-Chittagong	01-05-04
709/710	Dhaka-Sylhet-Dhaka	01-11-02
737/738	Dhaka-Kishorgonj-Dhaka	18-12-02
742/703	Chittagong-Dhaka-Chittagong	07-12-02
749/750	Dhaka-Kishorgonj-Dhaka	18-12-02

“Computerized Seat Reservation and Ticketing System” has been introduced since December, 1994 on Built, Operate & Transfer(BPT) basis.

Computerized ticketing system :

(A Partial privatization Programme in Bangladesh Railway)

Ticketing system of Bangladesh Railway is partially privatized since 1992 – 93. About 30 stations of Eastern zones has been covered under computerized ticketing. Intercity Trains ticketing are almost operated by computerized ticketing system. Primarily this system had some problem such as dialing, numberless using, etc. At present intercity passengers are getting unique service. There are some problems consisting with the system. Due to that black marketing can not come under full control. In this situation some extra information may include in ticket, Name, age, sex etc. After all it can be easily said that this computerized system rendering very efficient service to the passengers. Gradually the area of ticketing (Computerized may be increases with all over the country. Indian Railway is one of the biggest railway in the world. Their ticketing system fully computerized and connected with interest.

Railway department may take lesson from Indian Railway to improve further ticketing system of B.R. An interview made with passengers, station master railway officials and engineer of private operating firm in various railway stations, everybody told positive side of modern ticketing system. Passengers are satisfied. Because they can observe the vacant seats of the coaches in the monitor. Ticket black marketing are not widely possible in this system. Under this system staffs of Railway are operating the task. It is a

technological development of Bangladesh Railway. This system operated by the Railway staffs with the assistance of private co. When technical fault arise the engineers of the private firm rapidly takes action for resisting fault or repairing the fault. Computerized ticketing system is a perfect system of accounting. There is no huge scope for financial crime. Because all transactions are made by document. The main feature of this system are :

- a) Reservation and ticketing system is modern.
- b) Passengers are getting better service
- c) Forward ticketing is possible in this system. (From Dhaka purchasing for Comilla to Chittagong)
- d) Blank seats can be fulfilled by selling ticket. (running the train incoming time computer can show the blank seat of previous station which ca be sold). It is quite impossible in manual system.
- e) Passenger becomes aware about the blank seats of the train on monitor. So operator has no scope to conceal the real picture of seats.
- f) Error probability of seat reservation can be reduced in this system.

'Computerized seat reservation and Ticketing' is a unique introduction of Bangladesh Railway. Without the using of modern technology no development can be introduced. 'Computerized seat reservation and ticketing' is a modern technology. It is an achievement of Railway. It is the symbol of efficient service. It became possible in railway with the help of private sector involvement. Day by day the area of this sector are increasing.

The extra capacity of BR (Fiber Optic Telecom System)

(A Partial Privatization Strategy of B.R)

Bangladesh Railway has a strong and wide range of Fiber Optic Telecom system for internal communication. But the total system is not necessary for railway. They have introduced a private operator to use the un use Fiber Optic Telecom System. 'Grameen phone' the biggest private cell phone operator come forward and they got lease. Now Grameen phone using the railway fiber optic system. The number of cell phone consumer of G. P are 5 million in Bangladesh. In this sector Railway is getting revenue from Grameen phone. On the other hand a huge number of people are getting service. It is well known to all in Bangladesh that the network condition of Grameen Phone is the best among all.

The extra capacity of BR” Fiber Optic Telecom System “ has been leased out to Grameen Phone, a private cell phone operator.

Private enterprises have also been associated in the fields of repair of passenger coaches, cleaning of Locomotives & passenger carriages and conversion of non-AC coaches into AC coaches on BOT basis.⁴¹

Private Operator includes with Railway under specific contract given by license. The commercial operation of forty six trains has been privatized according to Railway information book 2004. Here we can show the terms & conditions of the contract regarding involvement of private operator as the part of partial privatization strategy.⁴²

⁴¹ Annual Report, Bangladesh Railway 2004

⁴² Annual Report, Bangladesh Railway 2004

6.4 Contract Nature of Commercial Operation of Partially Privatized train:

6.4.1 Area of License Operation : (Partial Privatization Programme in BR)

- i) Lessee will operate 'Titas Commuter' train under own supervision from B. Baria to Dhaka to B. Baria. Lessee will collect passenger fair.
- ii) Lessee will receive a rack from Railway Department consisting of 10 second class passenger coach, one guard break, and one power car. Number of coaches and categories may be increased but not to be decreased.
- iii) Total responsibility of the train operation will be kept to Railway Authority. Drivers and guards will do the job under direct control of Railway Authority.
- iv) Trains will run on specific time table. But the time table may be changed with the consent of both parties (Railway & Lessee.)
- v) Lessee will pay the fair according to per coach of the train which will count trip from B. Baria to Dhaka or Dhaka to B. Baria.
- vi) The train will run 33/34 and 35/36 no. named Titas Commuter.
- vii) The train and engine maintenance will be performed by Railway.
- viii) Concerned Railway station masters will operate this train with other trains of Railway.
- ix) The stoppage of the train is specified. These are :
 - Ashuganj
 - Vairab Bazar
 - Methikanda
 - Narshingdi
 - Tangi
 - Biman Bandar _____⁴³

⁴³ Deed of Contract between Bangladesh Railway & Rayhan Engineering 2004

6.4.2 Duties and powers of License holder (Private Operator)

- i) The rights of ticket checking would be kept to license holder.
- ii) The train fair will be fixed up by the Railway Authority.
- iii) The License holder entitled to sell the ticket of the specific train, which is given to him only.
- iv) The travel of the passengers with the aspect of Railway rules will be ensured by private operator. They are liable about roof, foot stand, baker, hanging journey of the passengers. specially lost of goods.
- v) License holder is bound to pay trip money according to condition- That is three installments 20th, 30th & 10th date of the month. If license holder becomes failure to pay 2 installments just after the date of last payment the contract will be void.
- vi) License holder will pay the equivalent money of 45 days fair as performance guarantee to the Railway authority, which is refundable.
- vii) License holder is liable about :
 - a) Portion of Station Building which is given to him for use.
 - b) Cleaning of railway coaches, specially toilet, floor, seat, door, window, internal & external sides of coaches.
- viii) The gentle behaviour and manner to the passenger should be ensured by private operator.
- ix) After the handing over of the train to private operator, all security would be kept by license holder until the return to the Railway Authority.
- x) The responsibility for the lost of parts, or any losses, would be compensated by private operator.

6.4.3 The duties and Powers of Railway Authority.

- i) The train will run according to railway time table.
- ii) Bangladesh Railway will supply specific number of coaches and engines.
- iii) The maintenance of the train will be maintained by Railway.
- iv) The Railway authority is liable for accident & Compensation.

v) In Dhaka & B. Baria station, railway authority will issue fitness certificate for operation of the train.

vi) The Rail authority will issue pass for army/ BDR/Police/ Cte/Pte, that would be useable inside this trains.

vii) Train operation will be performed according to Railway Act.

viii) In case of Railway emergency, toolvan may be include with this train without paying fair. Railway officials are also be permitted to travel by toolvan.

6.4.4. Analysis of Partial Privatization Programme in B.R :

Bangladesh Railway is one of the biggest government organizations According to financial summary ,Railway earned profit in the year 1969-70. After this year ,Railway incurred loss every year. Day by day Railway has becoming sick organization. After taking the recovery Programme they include private operator with some activities. Commercial operation is mentionable among them. Titas commuter is a train operating by the private operator. The deed of contract with them is shown before. It is a unique system. Private operator is operating this train successfully. Under this contract the main feature of the system of Partial Privatization are :

- i) The private operator does not need to invest huge amount of money.
- ii) Ownership of the Government properties is kept to the government. But would be handed over to the private operator for rendering service.
- iii) Some responsibilities are kept to the private operator which are not maintained by Railway. Such as financial/commercial responsibility.
- iv) Private operator is running this train under specific financial and other terms and conditions.
- v) Private operator paying fair according to contract. So there is no scope to show any financial claims to reduce payment.
- vi) Service standard has increased.
- vii) The possible maintenance of the time table is maintained..
- viii) State property is being used safely.
- ix) No Labour ..unrest is happening.

- x) Accidental ratio did not increased.
- xi) Create no operational problem.
- xii) Government (Railway) is having an income much more higher than Railway operation.

From above discussion it can be said that partial privatization Programme in Railway is showing three feature :

- a) **Financial losses has been reduced**
- b) **Service standard has increased**
- c) **No need to complete privatization.**

6.5 Benefits of Partial Privatization Programme in B.R :

Partial Privatization Programme has been introduced by Railway in 1997. Many fields of Railway are being operated by private entrepreneurs. Commercial operation, onboard service, Reservation and ticketing system, Using of fiber optic are mentionable fields of this Programme. The main objective of this Programme is to earn profit and reduce loss. Though there are another objectives remaining with this Programme. Commercial Operation of the 70 nos train are operating by private operator. In this short period (97-2005) Partial privatization Programmem in Railway found very effective. Some of the important benefits of Partial Privatization Programme in Railway has been mentioned below :

- 1) Partial Privatization Programme is more easier than privatization. Legal formalities are different which are very easy for partial privatization.
- 2) Huge number of entrepreneurs are interested in this Programme.
- 3) No major investment is required for the Programme.
- 4) Partial privatization Programme is running under direct supervision of the government.
- 5) Partial privatization is a reform work, which require no compulsory retirement of labors.
- 6) Private operator has become successful to improve service.

- 7) Financial impact is very much positive Railway is getting huge quantity of revenue.
- 8) No loss or damage of state property is occurring by private operator.
- 9) By means of partial privatization some loosing lines or services are continuing. In absence of this Programme railway may close the loosing routs or services.
- 10) Partial Privatization Programme is helpful to coordinate or adjust the employees. Partial Privatization creates some unemployment who can employed themselves in the vacant or shortage post of railway.
- 11) P.P.P is helpful to use modern technology. By means of P.P.P Railway is using computerized reservation and ticketing system.

Partial Privatization Programme is helpful for maximum utilization of resources. Say unused fiber given to Grameen Phone.

6.6 Problems involved with partial Privatization Programme :

It is well known to all that each and every system has some problem with benefits. Partial Privatization Programme is not out of this reality. According to journalists, passengers, analysts and railway officers, staffs, private, entrepreneurs there are some problems in P.P.P. These are gradually decreasing. A few number of problems caused by social and political culture of the country. Here may be mentioned some of the important problems given below :

- i) Contract duration is short, better service and standard management required time to establish by private entrepreneur. One year is very short period.⁴⁴
- ii) License giving procedure is not totally fair, because of political pressure or interference.
- iii) A few number of private entrepreneurs has become failure year to operate the train successfully in early stage
- iv) Railway department does not arrange good type of coach.⁴⁵
- v) Railway authority couldn't arrange sufficient and extra coaches as per demand of private operator.
- v) Maintenance works are not properly maintained by railway authority as per contract.
- vi) Commercial operation are not totally given to private operator. Say luggage booking performed by private operator but Purcell works are operating by Railway.
- vii) Some national important works are not given to private operator. Private operator are not interested also. Say public examination answer scripts carrying.⁴⁶
- viii) Signaling system is not good.

⁴⁴ Mr. Ripon Private operator, Titas Commuter, at present November 2005

⁴⁵ Mr. Ripon Private operator, Titas Commuter, at present November 2005

⁴⁶ Sardar Shahadat Ali, DCO, Bangladesh Railway November 2005.

- ix) Running time is long. Say B. Baria to Dhaka fixed time for the travel is 3hours45 minutes, where road time travel needs 2 hours only. Railway time can be reduced.
- x) Private operator is profit earning motive oriented mainly, because they have no public service obligation.

6.7 Financial Earnings of B.R during the year 2005:

(Financial earnings from the sample trains which are privatized)

Financial earnings of sample trains during the period of sample trains during the period of Partially privatized. 2004/05 till to date.

Table : 25

No. of Trains	Name of the Train	Year	Daily income	Monthly income
49/50	Balaka Express	2005	35100/=	1053000/=
11/12	Noakhali Express	2005	10900/=	3270000/=
34	Karnaphuli Express	2005	34126/=	1023780/=
17/18	Kushiara Express	2005	18500/=	555000/=
51/52	Zamalpur Commuter	2005	45200/=	1356000/=
48/48	Dewangang Express		11850/=	355500/=
	Dhaka - Narayanganj		28000/=	940000/=
33, 34, 35, 36	Titas Commuter	2005	77979/=	2339370/=

- Source :
1. Divisional Commercial Office Rail Bhaban, Bangladesh Railway Kamalapur, Dhaka.
 2. Brahman Baria Railway Station, Brahman Baria.

6.8 : Statistical Analysis in relation with Financial Earnings :

In this study the feasibility of the Partial Privatization Programme has been analyzed with statistical method. The financial earnings of Pre & Post Partial Privatization Period of Bangladesh Railway (government) are tested by 'Paired t ' test. The detailed method has been discussed below:

$$H_0 : \mu_x = \mu_y$$

$$\mu_x - \mu_y = 0$$

$$H_A : \mu_x < \mu_y$$

Here $H_0 : \mu_x - \mu_y = 0$ means there is no significant difference in the daily income of passengers train before and after the partial privatization.

$H_A : \mu_x < \mu_y$ Means partial privatization results in an increase in daily income.

We can test this two variables by using paired t test. Where

$$t = \frac{\bar{d}}{Sd / \sqrt{n}} \sim t_{n-1} \quad [t \text{ distribution with } n - 1 \text{ d.f.}]$$

$$Sd = \sqrt{\frac{\sum (d_i - \bar{d})^2}{n-1}}$$

$$\bar{d} = \frac{\sum d_i}{n}$$

Here μ_x = Average daily income of passengers trains (sample) before the partial privatization period.

μ_y = Average daily income of passengers trains after the partial privatization period.

Table : 26 Daily income of the passengers train before & after partial privatization

No. of train	Name of the train	$\mu_x =$ daily income of Govt. period	$\mu_y =$ daily income of P.P. period
49/50	Balaka Express	22943	35100
11/12	Noakhali Express	7375	10900
3/4	Karnaphuli	22943	34126
17/18	Kushiara	9142	18500
51/52	Zamalpur Commuter	27547	45200
47/48	Dewangang Express	5698	11850
—	Dhaka N.gang Express	25000	28000
33/34.35/36	Titas Commuter	14620	77974

Table : 27 Calculation for the value of test statistic

Govt. daily income X	P.P. daily income Y	$d_i = x - y $	d_i
22943	35100	12157	147792649
7375	10900	3525	12425625
22943	34126	11183	125059489
9142	18500	9358	87572164
27547	45200	17653	311628409
5698	11850	6152	37847104
25000	28000	3000	9000000
14620	77979	63359	4014362881
		$\sum d_i = 126387$	$\sum d_i^2 = 4745688321$

$$= \frac{\sum d_i^2 - \frac{(\sum d)^2}{n}}{n-1}$$

$$Sd^2 = \frac{4745688321 - \frac{(126387)^2}{8}}{7}$$

$$Sd^2 = 392711300$$

$$Sd = 19915.94$$

$$t \text{ cal} = \frac{-15798.37}{19915.94 / 2.83}$$

$$| t \text{ cal} | = 2.26$$

From t - table with 5% level of significant we have $| t \text{ tab} | = 1.90$

Conclusion: Since $| t \text{ cal} | > | t \text{ Tab} |$, H_0 is rejected at 5% level of significance. Here we **conclude** that partial privatization of passengers train may increase the daily income. That is the financial earnings from partial privatized of passengers train is probably higher than government period.

6.9 Test of performance of partially privatized train with government train :

H_0 : There is no significant difference between the efficiency of government and partial privatized train.

H_1 : Partial privatized is more effective then government.

$$\alpha = 0.05$$

The test statistic

$$\chi^2 = \sum \sum \frac{O_{ij}^2}{E_{ij}} - N .$$

Where O_{ij} = observed frequency of i th row & j th column .

E_{ij} = Expected frequency i th row & j th column

$$N = \sum \sum O_{ij} = \sum \sum E_{ij}$$

Observed frequencies are given. Expected frequencies can be calculated by the formula

$$E_{ij} = \frac{R_i \times c_j}{N}$$

$R_i = i$ - th Row total

$c_j = j$ - th column total

Table for calculation of Expected frequency:- Expected frequencies are shown in the parenthesis.

Table : 28

	S	O	R	I	S	J	Total
P	(21.8) 27	(21.8) 30	(21.8) 18	(14.53) 12	(14.53) 14	(14.53) 8	109
N	(8.2) 3	(8.2) 0	(8.2) 12	(5.47) 8	(5.47) 6	(5.47) 12	41
Total	30	30	30	20	20	20	150

Where,

S = represents service improvement

O = represents operational efficiency

R = represents reduced non-tickets

I = represents improved financial earnings

S = represents safety of state property

J = represents job security hampered.

and,

P indicates positive answer

N indicates negative answer

Table for calculation for χ^2

Table : 29

O_{ij}	E_{ij}	O_{ij}^2/E_{ij}
27	21.8	33.44
30	21.8	41.28
18	21.8	14.86
12	14.53	9.91
14	14.53	13.49
8	14.53	4.40
3	8.2	1.1
0	8.2	0
12	8.2	17.56
8	5.47	11.70
6	5.47	6.58
12	5.47	26.33
		$\sum \sum O_{ij}^2/E_{ij} = 180.65$

$$\chi^2 = \sum \sum \frac{O_{ij}^2}{E_{ij}} - N \sim \chi^2 \text{ with } (x-1)(c-1) \text{ d.f}$$

$$= (180.65 - 150)$$

$$= 3.65 \sim \chi^2 \text{ with 5.d.f}$$

Tabulated value of χ^2 with 5.d.f at 5% level of significance is 11.070 since tabulated value is less than calculated value. So the hypothesis may be rejected.

\therefore Partial privatization in Bangladesh Railway is more effective than Government (Railway) period.

7. Summary & Recommendations :

7.1 Summary of Findings :

This study has emphasized on explorative and inductive statistical search for finding an acceptable decision. Having so many obstacles and problems this study tried best to do that. Lastly the result came out by conducting this study, and some of the important findings specified are mentioned below:

- i) Partial Privatization strategy is an economic reform Programme at present In Bangladesh.
- ii) Partial privatization Programme is a strategic Programme for public sector organization to adjust with economic catastrophe in Bangladesh.
- iii) This Programme is comparatively easy to implement, due to minimum legal formalities.
- iv) Partial privatization Programme does not require to involve interministerial activity. It can be done by making a single contract only.
- v) Partial privatization Programme is a technique to involve efficient private entrepreneur.
- vi) Under this system private operator need not invest huge amount of money.
- vii) State property can be transferred to private operators but it is found that the property is being used and maintained safely.
- viii) 'Partial privatization strategy' has been taken by Bangladesh Railway and expanding rapidly.
- ix) Due to partial privatization Programme a very few number of staffs and workers are going to be unemployed. But they are readjusting with the present vacant posts in Railway.⁴⁷

⁴⁷ D. C. O. Railway, Dec. 2005.

- x) Partial Privatization Programme is functioning without mentionable disturbance by the workers of parent (Railway) organization.
- xi) Partial Privatization Programme is financially viable Programme and it is proved by statistical analysis.
- xii) Partial Privatization Programme is also proved feasible with qualitative data.
- xiii) Due to national interest and P.S.O (Public Service Obligation) some activities are not transferable to private operator and hence they are not viable with this Programme.
- xiv) Partial Privatization Programme is a unique system under which Government and Public operator performs their duty jointly to enhance efficiency.
- xv) More easy and effective than complete privatization.

Finally it can be said that Partial Privatization Programme is an effective, suitable and feasible Programme of Bangladesh Government which has been implemented in several organizations specially in Bangladesh Railway. Due to Partial Privatization, Bangladesh Railway has been benefited financially and passengers are getting better services. Other services in which private operators involved are also rendering a good performance. That mean Partial Privatization Programme of Bangladesh Railway is a feasible Programme which has been found by this study.

7.2 Recommendations

This study has conducted to search about Partial Privatization Programme in Bangladesh specially in Bangladesh Railway. So far as my knowledge no research work has done on it. It is a new concept. So it is needs to be assessed briefly about this Programme. This study is an initiative regarding mentioned necessity. This study has find out the result which is shown in findings chapter. I think at present it is very much important for public organization as well as government. So Government may take this opportunity to implement this Programme widely. Because this study has strong recommendation about the positive result of partial privatization Programme. At present our public sector organization has been suffering with many reasons resulting huge amount of financial losses. This study has proved the economic viability of public organizations. So in order to reduce financial losses government should implement this Programme in large scale public organizations which are incurring huge losses.

Service standard and other facilities of partial privatization Programme is also improved. All the concerned persons including railway staffs agreed with improvement of the standard of services of partial privatization Programme. So association of private operator ensures the better services and facilities. Government should take decision to handover all service oriented business to private operator. Such as parjatan, communications, utility services, health services etc.

Government may establish another high powered authority or commission for introducing partial privatization Programme in Bangladesh. They will research the field of implementing this Programme in various organizations. They will take all necessary steps. This body or authority should be free from long procedure and red tapism. This body will co-ordinate total Programme.

This study has recommended government for further study. It is an wide field of prosperity. We have been suffering for long times due to weak public sector. We are

closing so many organizations, services due to economic un-viability. Government may continue this organizations, services by means of involving private operator.

This study is an initiative to research about partial privatization Programme. Researchers are encouraged to study about this Programme. Universities, Research Organizations, Donor organization, Planning commission should take Programme for study in this field. In order to find further findings about partial privatization Programme in Bangladesh.

I also recommend the concerned authority to include this topic in the curriculum of higher study as strategic Programme. Because partial privatization Programme is a need based Programme at present in Bangladesh.

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Appendix

Questionnaire for Railway High Official

Partial Privatization Strategy : A case study of Bangladesh Railway

Name of the Respondent

Address

This study is for academic purpose only

[Information will be preserved strictly confidential]

1. Do you support Partial Privatization Programme of Bangladesh Railway?

yes

No

No Comment

2. Do you think P.P.P is difficult to implement?

Very Tough

Tough

Indifferent

Easy

Very Easy

3. What is the impact of this Programme (P.P.P) on employees currently engaged in Railway?

Bad

No Effect

4. What kind of effect may be created by P.P.P on job security?

6. Do you think P.P.P has improved better service ?

Yes

No

7. Do you think the maintenance condition has been improved by private entrepreneur?

8. Do you think private entrepreneur is reducing ticketless travelling?

Yes

No

9. What are the financial aspect's of P.P.P

10. Do you think this Programme can be financially profitable.

428202

11. Can you identify any financial irregularity involved with this Programme?

Yes

No

12. Do you think P.P.P has established efficient and effective management standard?

Yes

No

13. According to your assessment do you think this Programme will continue?

Yes

No

14. Do you think the ultimate impact of this Programme in Railway will be positive?

15. Do you think this 'Partial Privatization Strategy' may be implemented in other public sectors in order to enhance management standard and reduce financial loss?

Yes

No

16. What is your final comment about 'Partial Privatization Strategy' in B.R.

Questionnaire for Railway Staff

Partial Privatization Strategy : A case study of Bangladesh Railway

Name of the respondent :

Address :

This study is for academic purpose only.

[Information will be preserved strictly confidential]

1. Do you know about 'Partial Privatization Strategy' taken by Bangladesh Railway?

Yes No

2. Do you support private operator in B.R

yes No No Comment

3. Do you think this Programme may create problem in Railway?

4. Do you think this Programme is harmful to the employees presently working in Railway?

Yes No

5. Do you think passengers are getting better service?

Yes No

6. What is your comment about working standard of private entrepreneurs?

Extra Ordinary

High Standard

Standard

Below the Standard

7. Do you think this Programme can be financially profit?

Yes

No

8. Is there any irregularity?

9. Have any special comment?

Questionnaire for Passengers

Partial Privatization Strategy : A case study of Bangladesh Railway

Name of the respondent :

Address :

This study is for academic purpose only.

[Information will be preserved strictly confidential]

1. Do you know what is 'Partial Privatization Strategy' in Bangladesh Railway?

Yes

No

2. Do you agree with association of private operator in B.R?

yes

No

No Comment

3. Do you think this Programme is harmful for Railway?

4. Do you think this Programme is helpful to reduce ticket less travelling?

Yes

No

5. Do you think passengers are getting better service?

Yes

No

6. What is your comment about working standard of private entrepreneurs?

Extra Ordinary

High Standard

Standard

Below the Standard

7. Do you think this Programme can be financially profit?

Yes

No

8. Is there any problem?

9. Do you think this Programme is harmful for job security of Railway Staff?

10. Do you think this Programme is feasible?

Yes

No

11. Are you getting special services under computerized ticketing and reservation system ?

Yes

No

12. What is your final comment?

Statistical Method used in this study

Inductive statistics includes the methods like probability & probability distribution; sampling and sampling distribution; various methods of testing hypothesis, correlation, regression, factor analysis; time series analysis. This study is designed with hypothesis which is tested by paired t test and χ^2 test.

Paired t test is used to find out the total result of population using on sample. That is this test applied on a group of privatized train which represents all. The daily income of privatized train with government train has been examined by paired t test to find out economic viability of Partial Privatization Programme of Bangladesh Railway.

χ^2 test. has been applied to find out the performance of Partial Privatization Programme with qualitative data. That is the service standard, nature of administrative efficiency and other facilities.