Privatization, stock listing, and share issues: Evidence from Vietnam

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https://hdl.handle.net/2324/5068163

出版情報：Kyushu University, 2022, 博士（経済学）, 課程博士
バージョン：

（様式３） Form 3

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論 文 名　: Privatization, stock listing, and share issues: Evidence from Vietnam
Title　　　（民営化、株式上場と新株発行：ベトナム企業の実証研究）

区　　分　: 甲
Category

論　文　内　容　の　要　旨

Thesis Summary

This study examines performance effects of privatization and related events as well as their effects on corporate behaviors. Literature shows that privatization enhances firm performance (for example Boubakri and Cosset, 1998; Brown, Earle, and Telegdy, 2016; Ho, Lin, and Tsai, 2016; Megginson, Nash, and Van Randenborgh, 1994), while listing and share issues lead to a deterioration in firm performance (Alexander et al., 1988; Dharan & Ikenberry, 1995; Firth, 1997; Jain & Kini, 1994; Loughran & Ritter, 1997; Rangan, 1998; Shivakumar, 2000; Ritter, 1991; Spiess & Affleck-Graves, 1995). Privatization in most countries, however, embraces two structural changes: control rights transfer and listing. Besides, listing in most countries also comprises both pure listing (outstanding shares traded on stock exchanges) and initial public offerings - IPOs (share issues). It is challenging to detect the pure effects of these factors in privatization and listing. Previous studies also suggest that stock listing significantly affects corporate behaviors such as managerial short-termism (Hirshleifer, 1993; Narayanan, 1985), rebalancing capital structure (Alti, 2006; Baker and Wurgler, 2002; Fan, 2017; Pagano et al., 1998), and facilitating further M&A (Celikyurt et al, 2010). Privatization may be highly influential to long-term investments because it leads to significant changes in investment decision rules and financing environments. These facts motivate this thesis to examine the following research questions: (1) Control rights transfer or stock listing: Which matters in privatization? (2) How do stock listing and share issues affect firm performance? (3) Does privatization affect a firm's long-term investment?

Chapter 1 reviews literature on privatization, listing, and share issues and describe the characteristics of these events in Vietnam. Privatization of Vietnamese companies takes place in two phases: state ownership divestments and listing. Privatized firms generally operate as unlisted companies for about four or five years before getting listed. The time lag between privatization and listing allows us to trace the performance and behaviors of companies surrounding their privatization and listing separately. Besides, listing process of Vietnamese companies takes two steps: companies usually issue new shares (one or many times) to the public to increase their equity before listing. The time separation of share issues and listing is an ideal opportunity to examine the pure effect of these events on performance.

Chapter 2 examines privatization effect on firm performance by separating listing effect. After isolating from listing effect, privatization shows sizable performance effects, even for partial privatization. Layoff and capital expenditure decrease are significant factors associated with the performance improvements of privatized companies. Tan et. al (2020) argue that private investor involvement may lead to a better alignment of the interests of government agents with those of private shareholders in partial privatization.

However, there is no robust evidence that Vietnamese companies experience deteriorating performance surrounding stock listing. Firms tend to curtail capital expenditure and leverage surrounding the stock listing.

Chapter 3 investigates how stock listing and share issues affect firm performance. While listing effect may be confounded by share issue effect, the time separation between listings and share issues in Vietnam allows tracing the pure effects of these events on firm performance. Empirical results show that listing with share issues shows a negative effect on firm performance. Pure listing (listing without share issues), however, does not have a significant effect on firm performance. This finding is also consistent with the finding of listing effect in chapter 2. This finding suggests that share issue is the main source of negative effects on the performance of IPOs in other countries. Importantly, while share issues after listing have a negative effect on firm performance, share issues before listing do not show significant results. The difference in the participating investors between the two types of share issues is a potential reason. While listed firms tend to time the market or conduct earnings management when issuing new shares to the public, private firms meet obstacles in doing so. These firms often issue new shares to existing shareholders, strategic investors, and their employees, who know well about the firms' financial situation.

Chapter 4 examines privatization effect on firms' long-term investment. Thus far, the analyses have focused on the performance effects of privatization and related events. Taking advantage of personal computers (PCs) holdings as long-term investments in Vietnam, this chapter attempts to investigate corporate behaviors (i.e. long-term investments) surrounding privatization. After privatization, management cares more about immediate performance due to the involvement of private investors (Baber et al., 1991; Bhojraj et al., 2009; Roychowdhury, 2006). Also, privatized firms may lose the benefits of preferential access to bank credit and government protection and bailout (Boubakri & Saffar, 2019; Faccio et al., 2006; Li et al., 2009), making firms face difficulty financing large investments. These facts suggest that PC holdings may reduce after privatization. The empirical analyses find that privatization decreases PC holdings, especially when a firm has a large interest burden. While firm performance is positively associated with PC holdings, PC holdings increase the costs of debt and worsen firms' solvency status after privatization. Privatization delays long-term investments due to concerns about solvency status. Chapter 2 also provides consistent findings while indicating that capital expenditure decreases after privatization.

Chapter 5 concludes the thesis. Taking advantage of the separation in privatization-related events the results find that control rights transfer (pure privatization) generates sizable performance effects, even for partial privatization. Meanwhile, there is no robust evidence that Vietnamese companies experience deteriorating performance surrounding stock listing. Share issues before listing appear to have no effect on firm performance, while share issues after listing have negative performance effects. Privatized firms tend to delay long-term investments due to concerns about solvency status and lay off their employees to improve labor productivity. These findings contribute to the literature on privatization in several ways. First, I provide pure privatization effects by separating listing effect. Second, contrary to the conventional view (Gupta, 2005), this study indicates that even partial privatization generates sizable performance effects. Third, the findings show empirical evidence of no pure listing effect, which is inconsistent with the negative listing effect as indicated by the existing literature. Forth, this study provides a novel finding that share issues before listing appear to have no effect on firm performance. Finally, I present the reason why privatized firms decrease profitable long-term investments by showing that the firms concern more about solvency status after privatization.