CHAPTER 5 – CONCLUSION AND RECOMMENDATIONS

The investigation of Iran's government-linked companies is interesting and among the countries that have privatized their GLCs, Iran privatization experience is unique. This uniqueness comes from the reverse policy of renationalization to privatization only a decade after the bigining. Iran's GLCs reform has been underway for more than 20 years, but yet comprehensive evaluations on privatization success are limited. In our study on Iran SIP firms we tent to fills this void and also test the robustness of previous research on the privatization performance.

To compare the performance of privatization SIPs, we selected all non financial and investment eighty-six companies that listed in TSE covering the period 2001 to 2004. Our study of 25 Iran GLCs in time horizon of 2001-2008 shows improvement in profitability, efficiency, and output measures upon share issue privatizations which are all statistically significant. By contrast, we found leverage improvement in the privatized GLCs that means liabilities are reduced after SIP. The results are in line with Boubakri, Cosset, and Guedhami, (2005), Djankov and Murrell (2002) and Megginson and Netter, (2001) findings that report significantly improvement in operating performance of privatized firms after IPOs.

To go further, we run another test to examine possible effect of change in ownership and general economic factors. Controlling for changes in GDP growth and government's ownership, the cross-sectional regression give completely different results.

Profitability, efficiency and output indicators that showed significant increase become insignificant in relation with ownership and GDP change. The results are in line with previous finding by Martin and Parker (1995) that point to specific factors which may affect performance but have little to do with privatization. Altogether, we can suggest that the improvement in performance could not be attributed much to the ownership change and there are particular factors that should be evaluated.

To find whether privatized GLCs in Iran were operating relatively efficient before privatization or not, we compared the before-listing performance of GLCs with the market and industry index. The finding shows that GLCs efficiency is lower than the industry and market average. When we compare GLCs with market average in post-listing time horizons of three to five years, the performance proxies show no significant difference except for ROA which is higher for GLCs. The leverage measure show same as pre-listing result. The results are relatively the same when GLCs performance variables compared with industry benchmarks.

Finally, we compared the performance of GLCs and Non-GLCs group matched by listing date and industry because, if the GLCs are relatively efficient, their performances should be similar to Non-GLCs'. The results indicate that, there is no significant difference in profitability performance between the GLCs and the non-GLCs. In efficiency the GLCs show lower performance than Non-GLCs. This advantage in efficiency may be due to this fact that Non-GLCs benefited from privatization even before listing.

Taking the stock price return as a performance measure, we found that the GLCs' market-adjusted returns show more significant outperform for three to five years holding periods. Also, the GLCs' EWMR adjusted returns show an upward tendency as the holding period increases. Altogether, we conclude that in long run the GLCs stock price return tend to outperform the market. In regard to the GLCs comparison with Non-GLCs adjusted for listing date, GLCs underperform the Non-GLCs in first two holding periods with high significance level for first year. All in all, we can suggest that the GLCs tend to act as well as Non-GLCs in long run. When GLCs compared to the mean returns of the dividend adjusted market index, there are not statistically significant evidences in any of the five holding horizons. On the whole, we find that not only the GLCs don't underperform the market portfolio and the portfolio of Non-GLCs over various investment horizons of three up to five years but also tend to outperform the market in long run.

The cross-sectional regression equation shows insignificant relation between Profitability, efficiency and output improvement and ownership change. The results are in line with previous finding by Martin and Parker (1995) that point out particular factors which might have affected performance but had little to do with privatization. Evaluation of these factors relation with firms' performance proxies could help to build a farm work that helps companies' performance improvement without huge privatization program which is especially useful for developing countries.

comparing the performance of privatization IPOs with multiple benchmarks brought different results which are in line with Seung-Doo Choi, Inmoo Lee, and William Megginson (2010) study that found stock performance results are very sensitive to benchmarks and the performance of privatization IPOs show different outcome when compare with multiple benchmarks. This variety in results faces the researches' outcomes with the problem of ambiguity especially when local benchmarks are used and the market is not efficient. By the way, implementation of international benchmarks and especially efficient market benchmarks can improve the robustness of the research findings.