

CLOSED STACKS

SHARE PRICING, PERFORMANCE AND CONSUMER WELFARE
IN MALAYSIAN PRIVATIZATION

by

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OK

IN THE MEMORY OF MY MOTHER,
WITHOUT WHOM I WOULD NOT BE
WHERE I AM TODAY

DEDICATED
TO
MY LOVING HUSBAND, ROBERT

ABSTRACT

Since the 1980s, developing countries, including Malaysia, have embraced privatization as the central plank of policy reform. In Malaysia, advocates of privatization have claimed that there has been tremendous success in its privatization policy. In its aggressive pursuit of the policy, there are a number of issues which have been overlooked.

The first part of this study analyses the existence and extent of underpricing of the initial public offerings (IPOs) of privatized enterprises. It goes further to examine whether the government has deliberately underpriced its IPOs to achieve wider share ownership.

The finding supports the existence and extent of underpricing which results in revenue forgone, but there is no conclusive evidence to show that the government has deliberately underpriced its IPOs. Also, the politically popular objective of wider share ownership could not be sustained as there is evidence of widespread "staggering".

The second part of this study looks at whether improved efficiency and increased productivity can be attributed solely to privatization per se i.e. the "property rights" argument.

The finding shows that improvements in performance cannot be solely ascribed to privatization per se but a host of exogenous factors which are of equal importance.

The final part of this study refutes the claims that privatization will enhance consumer welfare. In most cases reviewed, privatization has not been accompanied by increased competition; instead user costs have risen significantly resulting in net consumer welfare losses.

In Malaysia, privatization policy has yielded mixed results. There is still a long way to go before proponents of privatization policy can justify its acclaimed benefits.

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