

ABSTRACT

Theoretically, privatization could lead the firms to operate more productively because of the pressures of the financial markets and the monitoring and discipline of profit oriented investors. This research aims to discover whether a change in ownership would crucially affect enterprise performance.

Researcher selects privatized State Owned Enterprises that were privatized through share issue during 1990 – 1999 in Thailand. There are three privatized State Owned Enterprises that meet the requirements in this study: Electronic Generating Company, PTT Exploration and Production and Eastern Water Development. This study conducted based on the observation over a set of historical financial informations from the prospectuses and annual reports as well as secondary sources of information. The design of the study was developed based on previous studies (Megginson, Nash and Radenborgh, 1994; Boubakri and Cosset, 1998; D'Souza and Megginson, 1999) which provide clear evidence that privatization lead to increasing the company's performance. Researcher examines whether operating and financial performance of State Owned Enterprises increases after they are privatized.

This study utilized descriptive analysis to explain whether privatization would affect the operating and financial performance. The results from this study show that State Owned Enterprises did not achieve the efficiency gain in the window period of three years after privatization. It means that there was no significant improvement on operating and financial performance after privatization during those time frame. Developing countries are characterized by several problems: political instability and uncertainty, economic instability and uncertainty, weak and underdeveloped capital markets. Therefore, achievement of a set of privatization objectives is extraordinarily difficult.

Privatization involving change-of-title alone is not enough to generate economic performance improvements. Privatization as change of ownership should be followed by setting up a favorable environment. Accordingly, the government needs to address the issues about agency issues, hardening budget constraints, market competitiveness, and depoliticization of firm objectives.

The results of this study provide valuable insight into privatization activities in Thailand. Researcher does believe that privatization activities in Thailand are just in the beginning phase. In the near future, there will be agenda to privatize several SOEs in telecommunication sector, for example Communication Authority of Thailand (CAT); energy sector such as (Electronic Generating Authority of Thailand (EGAT); transportation sector such as Thai International Airways, Airports Authority of Thailand, Port Authority of Thailand, Bangkok Mass Transit Authority.

There are several issues related to the privatization process that provide opportunity for further research. Privatization research on case by case will provide a good input to the privatization process. Study on privatization process that takes place with serial activities also provide and enhance the understanding of privatization. Share issue privatization relates with the stock market. Privatization provides the opportunity to study share performance of privatized firm. Lastly, political and social issues were mixed up in the privatization process. Study using on political and social measurements will add to enhancement body of knowledge of privatization.