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Research Article

THE IMPACT OF PRIVATIZATION ON THE STOCK RETURNS OF COMPANIES ACCEPTED IN TEHRAN STOCK EXCHANGE

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ABSTRACT
The aim of this study was the introduction of one of the criteria of the financial performance of stock returns compared to the Tehran Stock Exchange (TSE) for year to year. To reach this goal, the present study has been done by choosing from 16 companies among assigned companies and 18 governmental companies as the control group for the five-year period, 2003-2007. The questions have been raised: what is the difference between stock returns of companies subject to privatization in the before and after assigning them? How are the return shares changes of companies subject to efficiency and privatization to compare with control group companies (residual public)? The results showed that the companies have been witness in reduction the average of share return in the two years after privatization to compare with before and reduction in the average of share return in governmental companies has been more than private companies. The result is that privatization could control the reduction of the average of share return in recent years. In the way that it prevents from over reduction of average of share return.

Keywords: *Privatization, Share Return, Tehran Stock Exchange, Governmental Ownership, Capital*

INTRODUCTION
The main body of economic literature, the transition period from instruction economy to market economy, has been formed around the axis of the motives correction and efforts for answering to the main questions is done about the privatization.
Privatization methods, new management method, develop the capacity of economy agency and strategies to maintain the competitiveness of manufacturing in toddlers companies, has been oriented around the mentioned concept, however, in practice, prioritization of firms has been formed around the axis of the goal of political-economical of government (Sedehio, 2010).
Public confidence, increase government revenues, flexibility, market indicators, technical efficiency and reduce costs of unemployment policy are the goals which prioritize the divestiture of profitable firms. In contrast, in order to increase the efficiency, structure correction and reduce the investment pressure, we put the exclusive firms in the first priority (Iran Economy, 2006).
The experience of the countries where have been successful in miniaturization of their governmental organization, show that these countries have reached to the valuable results in terms of performance and quality of their major macroeconomic works. For instance, the role of government in administrating the affairs should be decreased and the process of controlling and guiding the affairs should be expanded by government instead (Akrami, 2006).
The result of study about privatization show that in one side the multiplicity of public companies do not leave a good performance, in a way that goods and some of their production services has no good quality even with using a lot of costs and in total, they are deleterious and inefficient units.
In the other side, the main function and most of the return of share is the calculation of whole return of market or certain elements of the market in a given period and often expresses the market expectation from the economic situation of the companies and their future performance, therefore, the study of the relationship between privatization and shares return of the companies seems necessary. The importance of this study is to show experimentally to manager, investors, technical analyzer and stock exchange analyzer that what effects performing privatization policies has on shares return of the companies? What is the problem if it has negative effect? How we can solve this problem?

Privatization

The concept of privatization is wider than the change of ownership of production firms. The main points of privatization is governing the market mechanism on economic decisions which the results of that is to create the competitive environment for private firms and with regard to this issue, the efficiency of firms will increase to compare with public parts (Babaei *et al.*, 2000). Based on this definition, it has been offered texts and different theories which encompass several aspects and objectives of privatization that it is pointed to some of them in below:

- Privatization is diverse and inclusive term that leads to operational delivery or financial institutions owned by the government to the private sector and along with ownership, the power also transfer to people.
- Privatization is the transfer of ownership of public institutions to independent privacy institutions (a partial transfer which is called dual ownership).
- Privatization is a collection of actions and steps that change the method of conveying raw materials into consumption goods. This process contains the deleting effect and government control and replacing it with activists of private sector.

Bis Lee and Little Child says: privatization leads to improve the performance of economic activities with increasing the market force, whereas, at least 50 percent of the public shares transfer to private sector. Janovsky defined the privatization as means of doing economic activities by private sector with transferring assets ownership to private sector (Behkish, 2006).

Mathur and Banchuevijit (2007) in their research evaluate the effect of privatization on performance of privatize companies in market. They have selected 103 companies from all around the worlds and they investigate profitability, productivity and their employment. The obtained results indicate the considerable increase in profitability, efficiency, production, asset, reduction in debt and employment of these companies. Almas (2009) study the change of performance in Sweden companies which come of them privatize between the years 1989 to 2007, results show that privatization in Swede were not successful as it was expected and it had less successful to compare with other countries. Hsueh-Liang (2010) has been dealt with the study of the factors of changing in privatization companies' performance with the variance study, executive return after privatization by 3 types of economy firms in Taiwan which the process of ownership transfer happened in them. The findings of this study show that improvement in the performance of private companies cannot be only because of ownership changes, but the privatization of the company can only be associated with other types of institutions and businesses.

Pattern of the Research

This research includes two variables:

Dependent variable: $Y=f(x)$

Y: change in performance and share return

In this research, share return is considered as the dependent variable that the calculation method is according to the following equation:

$$R_{j,t} = \frac{D_{j,t} + (P_{j,t} - P_{j,t-1})}{P_{j,t-1}}$$

In the equation above, $R_{j,t}$ is the rate of the return and $D_{j,t}$ is the paid profit in the period of t-1, $P_{j,t}$ is the price of share at the end of period t and $P_{j,t-1}$ is the price of share at the beginning of period t (Basidor *et al.*, 1997).

Independent variables:

X: transference or absence of transference

Independent variable is the type of ownership of company which is divided into two types: governmental, nongovernmental.

Estimating Pattern

Table (1) shows the average of shares return in public companies for two years before transferring is 43/5 and for two years after transferring is 13/7. These amounts show the difference of the average share return

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in two years before and after transferring is 29/8. It means that the average of share return in public companies in two years after transferring is decreased in amount of 29/8 to compare with two years before transferring.

Table 1: Description of dependent variable of share return in public companies

Skewness coefficient	Median	Standard deviation	Average	Maximum	Minimum	Share return
2/1	0	110/9	43/5	411/6	-57	Two years before transferring
4/3	0	80/2	13/7	411/4	-68/8	Two years after transferring

Source: Research findings

Tables two and three show that except year 2003, in all years the difference of average of share return two years after and before for public companies is less than private companies. Means the average of share return in public companies has shown more reduction to compare with private companies. Median index is also less in public companies to compare with private companies.

Table 2: Describe the dependent variable of share return in public companies

Skewness coefficient	Median	Standard deviation	Average	Maximum	Minimum	Numbers	Year
-318/3	-1/5	-59/7	-127/5	167/5	-4/6	-318/3	1382
-57/4	-1/5	-6/3	-12/9	26/8	8/8	-57/4	1383
-35/4	0/8	-15/4	2/6	42/2	61/7	-35/4	1385
-28/6	1/3	34/2	74/2	127/5	216/8	-28/6	1386

Source: Research findings

Table 3: Compare the difference of share return index two years after and before for public companies

Skewness coefficien	Median	Standar d	Averag e	Maximu m	Minimu m	Numbers	Year
2/2	-1/6	40/1	16/1	87/2	-8/3	5	1382
1/1	-11/4	200/2	-33	460/6	-308/4	12	1383
-3	-3/6	139/9	-40/7	63/7	-439/9	12	1385
0	-61/4	86/8	-61/4	0	-122/8	2	1386

Source: Research findings

Table (4) shows that the difference of average of share return two years after and before for private companies is -13/2 and for public companies is -29/8. This amount shows the difference of average of share return in two years before and after in transferred companies is 16/6. It means that the difference of average of share return in public companies in two years after to compare with two years before, to compare with transferred companies in that year, it is shown 16/6 more reduction.

Table 4: The difference of the average of share return in two years after and before for private and public companies

Skewness coefficient	Median	Standard deviation	Average	Maximum	Minimum	Share return
-1/1	-10/9	103/9	-13/2	216/8	-318/3	Private
0/1	-2/5	148	-29/8	460/6	-439/9	Public

Source: research findings

Conclusion

Companies in two years after privatization to compare with two years before have seen reduction in the average of share return. Privatization almost could be able to control the average share return in recent years. It means that it has prevented from so much reduction of the average of share return. The average of share return in transferred companies for two years before transferring is 36/7 and after two years is 23/5. These amounts show that the difference average share return two years before and after in transferred companies is 13/2. It means that the average share return in transferred companies in two years after transferring reduces in amount of 13/2 to compare with two years before transferring. This difference is calculated generally and yearly for public and private companies which show that except year 2003, in the other years it was less in public companies than private companies. Generally, we can say that difference of average share return in two years after and before for private companies is -13/2 and for public companies is -29/8. It means the average share return in two years before and after transferring in transferred companies is 16/6.

The main objective of this research is to study the effect of privatization on the average share return of accepted companies in Tehran Stock Exchange. The results show that the average share returns in transferred companies in two years after transferring reduce in amount of 13/2 to compare with two years before transferring. This reduction in public companies is more than private companies in amount of 16/6. Therefore, it seems privatization almost could be able to control the reduction of the average share return in recent years. In a way that it is prevented from so much reduction of the average share return.

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