

DETAILED INFORMATION ON THE DISSERTATION

Dissertation title: The impact of equitization on firm performance: Evidence from Vietnamese state-owned enterprises

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1. THE DISSERTATION SUMMARY

Privatization topics have attracted research interests from several researchers all over the world. With inconsistent results due to different privatization policies and estimation methods, the study of privatization on firm performance has been voluminous, especially in transition economies. Based on equitization characteristics in Vietnam and five research gaps existing, the author has chosen the research topic to examine how equitization impacts firm performance in Vietnam. This dissertation has employed a combination of difference-in-difference, with-without comparison and regression methods to analyze how equitization impacts firm performance in Vietnam. Research results show that equitization only helps enterprises improve profitability if considering return on assets (ROA) compared with non-equitized enterprises in the same periods. Also, equitization only helps firms improve profitability compared with non-participating firms (change in ROA) when firms are no longer under state control after equitization (average rate of state ownership after four years of equitization less than 50%). Tax incentive policy has no impact on profitability improvement (change in ROA) and operating efficiency change (change in total asset turnover). Finally, listing status has a positive impact on ROA improvement after equitization in Vietnam. This result shows that listed firms have greater ROA improvement than unlisted firms after equitization. Besides, research results show that there is an underpricing phenomenon in the short run but overpricing in the long run.

Based on research findings, the dissertation proposes some recommendations for equitized state owned enterprises (SOEs), non-equitized enterprises, investors and the Vietnamese government in Vietnam.

2. NEW FINDINGS OF THE DISSERTATION

After summarizing the background of the study, the author finds out some gaps as follows: (1) There are still limited studies on how equitization impacts firm performance when considering non-equitized SOEs in the same period. Tran et al. (2015), Loc and Tran (2016) have not considered the industry when choosing two participating and non-participating groups, leading to a biased comparison ; (2) The divestment progress in Vietnam is plodding due to its gradual equitization nature. Thus, studying how state ownership changes affect the firm performance of equitized SOEs is necessary. There is an unanswered question whether the State should hold over 50% shares in equitized SOEs after equitization; (3) There should be a study to evaluate how firms in specific industry groups can improve firm performance to support the equitization selection criteria because empirical studies have found that firm performance is improved dissimilarly according to industry groups; (4) Equitization policies in Vietnam are also different from other countries. So, studying these typical equitization policies that impact Vietnam's firm performance will reflect the equitization nature in Vietnam. There is a gap in analyzing how equitization impacts equitized SOEs with tax and without tax incentives in Vietnam. The difference in firm performance improvements between listed firms and unlisted firms after equitization should be addressed in Vietnam; (5) The equitization characteristics in Vietnam have some differences compared to privatization in developed and developing countries. In particular, assets valuation when equitization has faced many difficulties in Vietnam, leading to the slow equitization progress. This dissertation focuses on assessing the underpricing phenomenon level of state-owned enterprises in both the short run and long run to determine whether there is underpricing or overpricing in asset valuation of state-owned enterprises when equitization, especially if adjusted according to market values.

By filling these research gaps, the dissertation have new contribution in both theoretical and practical aspect as follows:

- *Contributions from the theoretical aspect:* (1) Most of the related privatization theories have not considered the benefits of privatization for privatized SOEs compared

with non-privatized firms. Also, there have been few empirical studies examining how incentive policies through privatization programs affect firm performance changes of privatized firms. This dissertation finds that equitization helps firms improve profitability (dROA) but does not help firms improve operating efficiency (dTAS) compared with non-equitized enterprises in the same periods; (2) Research results from this dissertation show that equitization only helps firms improve profitability compared with non-participating firms (dROA) when firms are no longer under state control after equitization (average rate of state ownership after four years of equitization is less than 50%); (3) This dissertation generalizes existing theories on the short-run underpricing in Vietnam, including the market feedback theory, the signaling theory and the divergence of opinion theory.

- *Contributions from the practical aspect:* (1) The Vietnamese Government has always encouraged SOEs to participate in equitization but the number of equitized SOEs has declined since 2007. Most large-scale SOEs were not equitized in the first two equitization stages or there is complexity in asset pricing, IPO pricing, ownership restructuring and complicated procedures, etc. However, in addition to the annual report on the number of equitized SOEs by the Steering Committee for Renovation and Development of Vietnam, the government has not yet made a formal report on the firm performance of equitized SOEs after equitization compared with non-equitized SOEs in the same period. Besides, equitized SOEs with state control after equitization do not improve firm performance compared with non-equitized ones; (2) From research results, equitized SOEs can improve profitability (dROA) compared with non-equitized SOEs in the same period when they participate in equitization programs and unlisting can not help equitized SOEs improve firm performance (3) There are many unlisted firms after equitization in Vietnam and investors can have suitable decisions based on the research results of this dissertation. Generally, IPO investment can help investors get initial returns because there is short-run underpricing. However, overpricing, in the long run, can infer that investors should not hold IPOs shares for a long time.

3.3. PRACTICAL IMPLICATIONS OR LIMITATIONS FOR FURTHER RESEARCH

Based on five research gaps and research results, the dissertation has proposed several practical implications for the Vietnamese government, investors, equitized SOEs

and non-equitized SOEs in Vietnam. Decision 22/2021/QĐ-TTg stipulates that the State only holds dominant shares in SOEs without considering the firm size. Therefore, the author recommends that upcoming regulations need to consider the reduction of the number of state-dominated enterprises after equitization considering firm size, in which the State should not continue to control small and medium-sized enterprises and only hold a few large-scale enterprises because the results show that only large-scale enterprises can improve profitability after equitization. Controlling small and medium-sized enterprises is also unnecessary to regulate the economy.

This dissertation has tried to full fill five gaps as stated. However, this dissertation has certain limitations: (1) This study has not considered different assets valuation and depreciation methods due to data limitation from VGSO; (2) Due to data limitations, the dissertation can not examine how the short-run underpricing affects firm performance changes after equitization in Vietnam; (3) The study has not considered the macroeconomic and micro factors that can affect firm performance after equitization. Also, studying some certain equitized SOEs cases to understand how equitization impacts on firm performance should be conducted since this dissertation mainly focuses on quantitative research methodology. Therefore, the author calls for the next research works to overcome the above research limitations.

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