THE EFFECTS OF PRIVATIZATION ON THE FINANCIAL POSITION AND PERFORMANCE OF FIRMS IN EMERGING MARKETS: EVIDENCE FROM VIETNAM

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ABSTRACT

This paper assesses financial results of public sector reform in Vietnam. This study uses audited financial statements of former SOEs which had been privatized and are currently listing in stock market of Vietnam. The paper makes comparison financial indicators at two research points: post-privatization and prior-privatization. The analysis found that privatization leads to universal increase in profitability, lower debt and leverage, lower asset usage efficiency, and potential risk of paying short-term liabilities appearing in research firms. Our lesson for governments is that privatization program should be continued. However, the government should focus on decision making process and management skills in SOEs, in addition to other changes.

Key words: Privatization, Financial position and performance, Vietnam.

1 Introduction and value of research

Privatization program was firstly applied in Britain by the Thatcher government from 1979 onward, and it has come to be accepted as a potential instrument of economic policy for governments of many persuasions throughout the world. Indeed, it has been believed that the tendency of applying this technique will not be slow down in the 21st century (Megginson & Netter, 2001). The very large literature produced by scholars has provided evidence that privatization accompanied with ownership change, politician-manager separation, private sector management style, competition, and so forth could bring efficiency in newly privatized entities. Privatization also contributes to stock market development and balances the fiscal budgets, though the degree of effects depends on the particular context of the countries (see, for example Megginson *et al.*, 1994).

The progress of the privatization program applied in Vietnam has been slow down from 2008 to 2011, and in 2012, the Vietnamese government decided to reinvigorate this program with objectives of restructuring the firms and organizations in the public sector, which has been holding almost all the resources of the country but generating low efficiency and effectiveness (Thanh Thanh Lan, 2012).

At present there is a lack of forensic empirical studies about financial impact of privatization on firms in Vietnam. The majority of current studies are comparatively simple reports about the changes in accounting numbers related to privatized firms. Specifically, most researchers have reported that, after privatizing, former SOEs had increases in net sales, net profit, efficiency (measured by net sales per employee), chartered capital, income tax, number of employees, and employee income (Doan Ngoc Phuc, 2014). However, these studies have various methodological weaknesses which may affect their conclusions (Pham Duc Cuong, 2016).

The current strategy of reform in SOEs and the lack of research attention are motivation for this research which is about the effects of privatization on the financial performance of privatized firms in the context of Vietnam.

2 Literature review

Since the late 1970s a substantial body of literature about performance of the government sector has developed. Though this body of work has been large and various, there are some common themes, especially the complaint that the government sector suffers from unclearly defined objectives, inefficient and ineffective policy implementation processes and public sector is excessive in size relative to its economic setting. Further criticism typically relates to the suggested existence of costly and overly bureaucratic organizational structures, low levels of responsiveness to citizens and a consequent failure to provide either an appropriate quantity or quality of goods and services to taxpayers (see, for example, Carmen and Stittle, 2014).

To date, various cohorts of researches, with diverge arguments, of public management reform have been developed. Some studies believed that the deficiencies of public sector would lead to macro level economic difficulties, such as government budget deficits which resulted from excessive costs and spending compared to poorly structured and inappropriately spread taxation bases (Osborne & Gaebler, 1992; Pollitt & Bouckaert, 2004).

Some other researchers who study about reform in different countries, and they believe that the United Kingdom, New Zealand and Australia as pioneer reformist governments and these countries have gained various achievements (Carlin, 2006). In this group of researchers, some believe on the general approach of governance and management frameworks which is underpinning origin in the private sector, especially application of. Some other researchers assert that various techniques, including new public financial management (NPFM) (Carlin 2006), contracting out, commercialization, corporatization, privatization have been used as basis tools for improving cost effectiveness and efficiency in government sector (Pham, 2009).

Privatization is one key tool of public management reform which has been widely applied throughout the world, particularly in the wake of the aggressive use of this strategy in the United Kingdom by the Thatcher government. The privatization program aims to increase efficiency, eliminate subsidies, restrain trade union, promote wider share private ownership and impose ideological political beliefs (Woo, 1989; Carmen and Stittle, 2014).

A substantial volume of published literature is about privatization program, generally. Many of these are debates about effects of privatization (for example, Boycko *et al.*, 1996), privatization and competition (for instance, Sheshinski & Lo'pez-Calva, 2003; Cook & Minogue, 2002), privatization model (for example, Carmen and Stittle, 2014), political motives and privatization (Tan, 2008), etc.

A substantial volume of empirical studies focused on questions relating to the impact of privatization has emerged. Some of the extant literature on the topic of privatization examines the impact of privatization on efficiency, drawing on datasets from individual countries, and from cross-sections of firms drawn from different countries. Though studies have varied based on timeframe, data, and methodology the results most often consistently indicate that private firms operate more efficiently than SOEs or mixed mode ownership firms (Mathur and Banchuenvijit, 2007).

An often cited example of this type of work is embodied in Megginson *et al*. (1994). In this study the authors compared the pre- and post-privatization financial and operating performance of 61 companies in 18 countries spanning 32 industries that had experienced full or partial privatization through public share selling over the period between 1961 and 1990. Their results suggested that after being privatized, former SOEs increased real sales, became more profitable, increased levels of capital spending, improved operating efficiency levels, had lower debt and increased dividend payouts (Megginson *et al.*, 1994).

This paper provided a methodological guide helpful for other researchers interested in evaluating financial performance in different nations and in various industries. Applying this method, Boubakri and Cosset (1998) conducted two empirical studies. The first examined financial and operating performance of privatized firms in developing countries. Their sample included 79 companies from 21 developing countries and 32 industries which also experienced full or partial privatization over the period 1980 to 1992. Their results were consistent with those reported by Megginson *et al. (1994)*. A second study examined the performance of 16 African firms which privatized during 1986 to 1996. This study reported significant increases in capital spending in privatized firms but insignificant changes in profitability, efficiency, output (sales) and leverage (Boubakri & Cosset, 1998).

And similarly, Wei *et al.* (2003) conducted a study on 208 privatized firms in China, during the period from 1990 to 1997, applying the Megginson *et al.* methodology. The results of that study are consistent with those of the earlier studies cited above, save for their conclusions that, the firms in their sample exhibit significant change in profitability, assets, outputs, sale efficiency, etc. (Wei *et al.*, 2003).

In case of Vietnam, at the beginning of “Doi Moi” in 1986, Vietnam had around 12,300 SOEs, many of which were unprofitable and exhibited signs of substantial inefficiency. A concerted effort to attack this problem commenced in 1989 with the dissolution of many unprofitable SOEs and the rearrangement of others through mergers or liquidation. As a result, by the beginning of 1992, the number of SOEs in Vietnam had declined to around 6,500 enterprises (CIEM, 2002).

The privatization, or equitization as it is known in Vietnam, of SOEs started with a pilot program in 1992. And recently, the Vietnamese government decided to speed up the privatization program. As a result, the number of SOEs has been reduced from 12,000 firms to around 700 ones by the end of 2016 (Khanh An, 2016).

The process of privatization in Vietnam has attracted some degree of attention from researchers, however, to date, few detailed studies have been conducted to investigate the financial implications of privatization in Vietnam. Some common reports concluded that the privatization process is slow, low percentage of state ownership transferred, and there has been small number of privatized firms listing in Vietnam stock market. These reporters believed that the reasons for Vietnam ineffective privatization program including (1) Issues related to thinking, perception of the role of the State in the economy; (2) SOEs are reluctant to change because of their own interests in the current market economy; (3) there is a lack of sanctions to ensure equitization plans follow schedule; (4) Due to lack of synchronous mechanisms and policies; and (5) SOE leaders are reluctant to step up privatization for fear of losing their position as SOEs become joint-stock companies (Nguyen Duc Do, 2016).

Another group of research is empirical focus. By conducting the research with larger sample size of more than 500 privatized firms located in 15 cities and provinces of Vietnam, Tran TC. et al., (2006) carried out a comprehensive survey and report the improvement in sales, profit, taxable, productivity, etc. However, these studies contain several weaknesses, including issues relating to data collection methods (by interviews with firm managers), qualitative and un-verified data and the potential of interview response bias, the short time series of financial data employed for analysis (two years) and both of these researches are as similar as reports which list the interviews' results (Pham and Carlin, 2009).

Another study on the subject was conducted by Truong *et al.* (2006). This empirical study investigated the effects of privatization on firm performance in Vietnam. Using a sample of 121 former SOEs and the methodology provided by Meggison *et al.* (1994) the authors documented that after privatizing, the former Vietnamese SOEs exhibited significant increases in profitability, sales revenues, efficiency and employee income (Truong *et al.*, 2006).

Another research on this field was conducted by Pham and Carlin (2009). This empirical research investigated the effects of privatization on firm performance in Vietnam for the research period from 2000 to 2003. Using a detailed, financially focused methodology and drawing from audited financial statements, the research compare financial performance of research firms at prior listing year with performance at post listing years. The results suggest evidence that, after being listed, research firms show reduction in profitability, improvement in working capital management, increase in financial leverage, etc. (Pham and Carlin, 2009). Also, the study of Pham and Carlin (2009) show advantageous point in methodology and contributes to the literature, it nonetheless contain several weaknesses, especially the small sample size (only 21 firms).

The most recent research conducted by Doan Ngoc Phuc (2014). This study collected financial data of 217 firms which are listing in the stock market of Vietnam in period spanning from 2007 to 2012. The author indicates the improvement of ROA, ROE, and ROS. However, the research did not figure out the reasons for changes of those indicators.

Thus, though there are some important researches of Vietnam privatization program, the results have been lack of consistency between authors. Some researches believed of improvement in financial position and performance, some others reported of unchanged situation in privatized firms.

In short although those empirical studies made important contributions to the literature on privatization they only focused on investigating the changes of firm performance after firms experienced privatization events. The common points were that firms had improved performance after divestment. However, there is no study in the existing literature focus on financial position and performance of firms after privatizing. Moreover, there is no study in the existing literature which examines in depth the key financial factors which directly caused the changes observed in firms examined for research purposes. The research reported in this research addresses this gap in the literature by first investigating the changes in financial position and performance of privatized firms. It then directly and closely examine the key causal financial drivers of position and performance change in former SOEs in the post privatization phase.

3 Data and Research methodology

Since the objective of this body of research is to provide detailed evidence pertaining to the impact of privatization on financial position and performance of privatized firms. It was a necessary precondition for inclusion in the research sample that firms studied had originally been configured as SOEs and were subsequently privatized. A second qualifying criterion for inclusion in the research sample was the availability of financial statement data[1], the key source of data relied upon for the purposes of the study. This line of enquiry and these criteria for sample selection mean that this study is unique among studies focused on the impacts of privatization in transitional economy settings. To have data which satisfy such preconditions, we decided to collect data from the stock market of Vietnam.

By the end of 2012 there were a total of 700 firms listed on HOSE (in Ho Chi Minh city) and HASTC (located in Hanoi capital). Of these, 308 firms were listed on HOSE and 397 on HASTC. Among this group 459 firms had been SOEs prior to undergoing privatization. The remaining firms had originated in the private sector. These were therefore not eligible for inclusion in the research sample. Thus, the potential research population consisted of the 459 market listed former SOEs in existence by the end of 2012[2].

However, not all of remaining firms could be included in the final research sample. This is due to the nature of the research question being investigated. Again, the research focuses on evidence of change in financial position and performance (if any) associated with privatization. However, given that it is unlikely that change in performance will be evident in the immediate wake of an entity's transformation to a private firm, prosecution of the research question requires the existence of multiyear datasets. By scanning the privatizing years for all of more than 400 firms in both securities trading centers, it shows that majority of firms did not publish their financial statements, especial prior-privatization year. This led to the fact that it is impossible to capture the large sample data in relation to the before-and-after privatizing point. Overall, we could only select 43 firms into our research sample.

There has been another issue, in research sample, firms had different privatizing years. For instance, there were only two firms privatized in 1999, 3 firms privatized in 2000, 4 ones in 2001 and so forth. Each privatizing year represented in the sample yields a research sample too small for meaningful analysis, a data pooling technique is employed whereby irrespective of the actual calendar year of privatizing, all data pertaining to each firm's year prior to privatizing, year of privatizing and each successive year post privatizing is pooled for the purposes of aggregate analysis.

As a simple example of the manner in which pooled datasets were produced, if a firm privatized in 2000, then financial data relating to that firm for 2000 would be coded as falling within the t=0 dataset. If a firm privatized in 2003, then financial data relating to that firm for 2003 would be coded as falling within the t=0 dataset. Thus, the t=0 dataset comprises observations pertaining to the year of listing, irrespective of which calendar year of privatizing was. The same pooling procedure was used to generate the t-1, t+1, t+2 and t+3 datasets.

From a technical perspective the application of a pooling approach yields some significant benefits. The most important advantage is that it makes the data sample large enough to support the conduct of meaningful and robust statistical and

[1] Under Vietnam Accounting law, all financial statements have to be prepared in unified formats.
[2] To avoid data from firms which suffered from financial crisis, we collected data from year 2000 to 2012

econometric testing. From a statistical perspective, a larger sample size will tend to minimize the standard error of any predicted variable, for example the sample mean, resulting in greater robustness. Furthermore, results from larger samples can be more readily used for the purpose of developing general propositions or insights (Black, 1999; Swift & Piff, 2005).

As mentioned above, this study examines the financial data over period from pre privatizing to post privatizing, in an effort to better understand not just the degree of change but the drivers of those changes (if any). Because the variables drawn upon for the purposes of data set construction are in ratio form, the variables drawn upon for the purposes of the research, include 6 groups of ratios: (1) Profitability and cost management; (2) Efficiency of working capital management; (3) Liquidity; (3) Financial structure; (5) Asset usage efficiency; and (6) Operating efficiency.

The financial ratios in each group will be calculated for each firm in the research sample. The calculated results are then grouped into 4 points of time: one year prior to privatizing (t-1), year of privatizing (t=0), one year post privatizing (t+1), and two years post privatizing (t+2). As a result, with 26 variables, 43 firms and 4 research points we have a total of 4,472 financial values. For each indicator, we calculate not only the mean value but also the weighted mean[3] for each year. The mean value is used in our statistical tests.

Three key forms of tests are commonly used for this form of analysis. The first is Shapiro-Wilk as a means of testing the distributions of sample variable data for normality (Field, 2005). The second test is a Friedman test which is applied to check whether there is any change between research years. If the results of this test indicated a variation, we applied an additional test. With our characteristics of research sample, the Wilcoxon Signed Rank test was selected as the appropriate means of testing for differences in mean variable values.

4 Empirical results

An overview of the basic characteristics of the firms

As a first step we simply calculated several key factors over 4 points of time. The results are summarized in Table 1, below.

Table 1: Percentage of changes for key financial indicators.

	(t=0) vs (t-1) in %	(t+1) vs (t=0) (%)	(t+2) vs (t+1) (%)	(t+2) vs (t-1) (%)
Total assets	44.87	40.78	32.51	159.38
Total net sales	67.51	35.74	22.95	222.71
Total net sales and gains	54.63	36.56	25.76	199.89
Total expenses	66.42	46.35	23.86	231.50
Income before tax	123.63	197.81	28.26	478.61
Total debts	85.05	41.10	45.03	257.34
Total owner equity	43.70	84.44	33.08	228.24
Fixed assets	31.83	42.25	21.74	169.26

These values demonstrate a strong degree of consistency with prior researches on the subject of privatization and point to trends such as growth in assets, sales and capital expenditure on the part of former SOEs in the years after transforming into privately owned commercial enterprises. The firms included in prior research samples essentially conformed to similar patterns.

Profitability and Cost Management

The first financial indicator being analyzed is profit margin (Return on Sales and Gains-ROSI). Theoretically, the higher ratio reflect the better performance of firms. We conduct calculations for 43 firms in the sample over 4 points of time. The results for this factor is set out in Table 2, below.

The mean and weighted mean indicate that firms' ROSI increase immediately and gradually after being privatized. Essentially, ROSI is a final indicator representing the efficiency of a firm. Thus, to find out which factor drives change in ROSI, we decomposed ROSI into the following factors: (1) Net operating income on sales and gains; (2) financial income on sales and gains; (3) other income on sales and gains. The results of the Friedman test and the Wilcoxon signed rank test indicate increases at statistically significant level at the 95% confidence interval. In more detailed, the data represents increase in profit from operating activities due to significant increases in net sales of goods/services, unchanged COGS, and small saved selling and administrative expenses; reduction in profit from financing activities resulted from the higher rate of financial expenses than financial revenue; and unchanged profit of extraordinary activities.

Table 2: Summary of analysis results for key profitability

[3] Total assets or total net sales will be used to calculate weighted mean.

	Mean value			
	Mean at t-1	Mean at t=0	Mean at t+1	Mean at t+2
ROSG	7.15	7.77	9.19	8.68
Operating profit on net sales and gains	9.06	9.11	10.03	9.80
Net sales on total net sales and gains (%)	96.50	98.19	97.74	96.29
COGS on total net sales and gains (%)	79.87	80.10	80.89	79.95
S & E on Total net sales and gains	6.81	7.39	6.94	6.73
Financial profit on total net sales and gains	-1.21	-1.72	-1.19	-1.63
Financial revenue on total net sales & gains	0.58	0.69	1.04	1.27
Financial expenses on total net sales & gains	1.86	2.40	2.43	2.85
Extraordinary profit on total net sales and gains	0.95	0.52	0.53	0.71

Efficiency in working capital management
To measure the level efficiency in working capital management the we utilized 4 main financial indicators: (1) Accounts receivable turnover; (2) Accounts payable turnover; (3) Inventory turnover; and (4) Net working capital turnover. The calculations of means (weighted means), and statistical tests are presented in Table 3, below.

The calculations for means (weighted means), and the Friedman tests showed significant changes[4] in Accounts receivable turnover[5] and no significant movement in Account payable turnover and Inventory turnover. Surprisingly, after being privatized, firms took a longer time to collect customers' debts. The results indicate two possibilities: (1) inefficient management in debt collection; or (2) privatized firms offered softer credit policies to customer so that they could sell more goods or services. The latter possibility seems to be consistent with the increases in net sales, analyzed and discussed in the section above.

The results imply that the newly privatized firms might not have improvement in management skills, especially in shortening up credit sale collection, in speeding up selling goods/services, and in delaying payment to suppliers.

Table 3: Summary of analysis results for efficiency of working capital management

	Mean value				Friedman test statistic	
	Mean at t-1	Mean at t=0	Mean at t+1	Mean at t+2	Test result	Meaning
Accounts receivable turnover(*)	16.16	12.62	12.02	12.26	R^2= 12.314 p= 0.006	Significant decrease, need ad-hoc test
Account payable turnover	22.16	19.57	20.45	21.00	R^2= 1.416; p= 0.702	Minor and insignificant decrease, no need ad-hoc test
Inventory turnover	13.81	12.82	14.32	12.69	R^2= 2.182; p= 0.536	Unclear trend, no need ad-hoc test
Net working capital turnover	0.78	8.97	8.48	5.98	R^2= 1.950; p= 0.583	Unclear trend, no need ad-hoc test

Wilcoxon Signed Rank test statistical (Z; p) for Account receivable turnover					
(t=0) vs (t-1).	(t+1) vs (t -1).	(t+2) vs (t-1).	(t+1) vs t-0.	(t+2) vs t-0.	(t+2) vs t+1
-2.182 0.029*	-1.732 0.083**	-2.507 0.012*	-0.763 0.446	-1.507 0.132**	-1.715 0.086**
(*)Statistical significance at 5%; (**) Statistical significance at 10%					

Liquidity and capital structure
To assess ability to pay short-term debts, we conducted analysis using two main ratios: current ratio and quick ratio. The analysis results are presented in Table 4 below.

The result indicates that the firms in research sample had quite low current ratio and quick ratio over the 4 points of time in the research. The statistical tests also suggest that there was no change in these two ratios. This means that firms in the research sample may face difficulties in paying short-term debts using current assets, and using quick assets. This analyzed result is consistent with analysis of working capital management.

In order to gain insights into the financing and capital structure decisions of the former SOEs included in the research sample, a range of pertinent metrics were calculated and evaluated. These included measures of gearing (debt to equity ratio, long-term debt on equity) as well as metrics designed to provide insights into the maturity structure of firm debt capital.

[4] significant at 95% confidence interval
[5] We use total net sales and gains in stead of net sales to calculate this indicator

On average, firms included in the research sample exhibited material asset growth over the first two years post privatizing, indicating a requirement for increased capital on the financing side of the balance sheet. This asset growth was funded principally through growth in equity, with some evidence of substitution of debt financing for equity financing among firms. However, the high proportion of short-term represents the potential risk of paying short-term debt. This result is consistent with analysis outcome of liquidity (current ratio and quick ratio) above.

Table 4: Summary of analysis results for liquidity

	Mean value				Friedman test statistic	
	Mean at t-1	Mean at t=0	Mean at t+1	Mean at t+2	Test result	Meaning
Current ratio	0.86	0.87	0.84	0.92	R^2= 5.315; = 0.150	No change, low ability to pay current liabilities by current assets, no need ad-hoc test
Quick ratio	0.75	0.68	0.82	0.75	R^2= 4.390; p= 0.222	No change, low ability to pay current debt. no need ad-hoc test
Total debt on equity	3.68	2.72	2.06	2.29	R^2= 1.912; = 0.591	Lower debt trend, insignificant level. Potential risk of debt payment. no need ad-hoc test
Long-term debt on equity	0.96	0.64	0.63	0.64	R^2= 0.777; p= 0.855	Lower long-term debt, insignificant level. no need ad-hoc test
Short-term debts on total debts**	79.71	80.70	74.61	77.12	R^2= 7.703; p= 0.053	High portion of current debt, low ability to pay current liabilities by current assets. no need ad-hoc test
(*) Statistical significance at 5%; (**) Statistical significance at 10%						

Analysis of asset usage efficiency

To evaluate asset efficiency, we use four (4) key indicators, including ROA, total asset turnover, fixed asset turnover, and current asset turnover. The means (weighted means) and statistical tests are summarized in table 5, below.

The results represent the significant increases in firms' ROA after divestment at statistically significant level of more than 90% confident interval. Generally, after privatizing, firms in our research sample used their total asset more efficiently.

The results in Table 5 also represents a gradual decreases in total asset turnover, the measure of how many dollars of sale are generated by one dollar of total assets. By decomposing this, we find out that this unfavorable value resulted from the inefficient usage of current assets, other than fixed assets. This findings are also consistent with the analysis of working capital management, mentioned above.

Analysis of operating efficiency

To assess level of operating efficiency, we apply 3 key financial indicators, including Profit margin, ROA, and ROE. Among these, Profit margin and ROA have been analyzed and showed significant improvement after privatization. In the following section, we focus firstly on decomposing ROA, and then on ROE by applying DuPont model.

There is a significant increase of ROE after year of ownership transferred. Specifically, ROE increased from 24.3% in year one prior to privatizing to approximately 30% in post-privatization years. The statistical test also confirmed this growth at level of significance of 95%. By applying the DuPont model, we find out that the impressive growth of ROE resulted from the increase in ROA other than the changes in financial leverage. In relation to unchanged financial leverage, decreasing asset turnover, we conclude that the higher return on asset and return on equity caused by the improvement in profit margins.

Table 5: Summary of asset usage efficiency

	Mean value				Friedman test statistic	
	Mean at t-1	Mean at t=0	Mean at t+1	Mean at t+2	Test result	Meaning
ROA(*)	9.82	12.00	11.81	11.20	R^2= 8.274 p= 0.041	Significant increase, need ad-hoc test
Total asset turnover(*)	2.10	1.99	1.95	1.93	R^2= 9.000; p= 0.029	Significant decrease, need ad-hoc test
Fixed asset turnover	3.44	5.25	4.61	4.75	R^2= 3.360; p= 0.339	Insignificant trend of increase, no need ad-hoc test
Current asset turnover(*)	3.47	3.12	3.15	3.17	R^2= 9.985; p= 0.019	Significant decrease, need ad-hoc test
ROE(*)	24.30	29.94	31.52	29.59	R^2= 10.619; p= 0.014	Significant increase, need ad-hoc test
(*) Significance at 5%; (**) Significance at 10%						

5. Conclusion

This study on the financial position and performance of privatized firms in the context of Vietnam drawing upon detailed firm specific financial time series data drawn from audited financial statements.

Our analysis reflects that the privatized firms have improvement in profitability caused by higher sales of goods and services, and slightly saving of selling and administrative expenses. However, this improved profitability is not guaranteed outcome of ownership transferred. It may result from new environment of greater and tougher competition. The data also suggests that the privatized firm faced substantial challenges in reducing their cost structure, including cost of goods sold, selling and administrative expenses, and financial expenses. This conclusion is consistent with the results by Pham and Carlin (2009), and Pham Duc Cuong (2016).

We find out, in contrast with previously published literature, that the privatized firms took longer time to collect credit sales/revenues, no effective method to lengthen payment period to creditors, and no significant changes in turning inventory. These lead us to conclusion that the privatized firms have improved profitability, as mentioned above, which is results from softer credit policies provided to customers in post divestment years.

Privatized firms included in the research sample exhibited material asset growth immediately after privatized year, especially non-current assets. This indicates a requirement for increased capital on the financing side of the balance sheet. The analysis reflects that this asset growth was funded principally through growth in equity, with some evidence of substitution of debt financing for equity financing among firms. However, the high proportion of short-term represents the potential risk of paying short-term debt.

Overall, we agree with Pham and Carlin (2009) that the firms in research sample have several achievements, including lower cost of doing business, maintain safer capital structure (by lower debt), greater capacity to expand at a rate commensurate with capacity and demand of privatized firms, more efficiency in using non-current assets, etc.

Based on our analysis, we suggest the following recommendations to the governments in various jurisdictions:

Firstly, we strongly recommend that the government should continue privatization program for not only firms with small size or un-strategic field but also with larger and strategic ones. We also believe that the privatization model with sale of state ownership to private investors is more appropriate approach than privatization model which based on other tools, like franchising (Carmen and Stittle, 2014). We believe that the performance and efficiency of privatized firms and economy as a whole will be improved (Pham Duc Cuong, 2016).

Secondly, the governments should give more empowerment to privatized firms. As mentioned elsewhere in this paper the Vietnamese government still holds a large proportion of ownership in privatized firms. By empowering private firms the transaction costs will be lowered, and the management team and skills/methods may be changed, new technology may be updated, etc. As a result the efficiency and effectiveness of firms and the economy will be improved. Various authors in researching privatization in Vietnam have suggested that, the government should focus on enforcement of the law instead of holding a high proportion of ownership in privatized firms (Vu Duy Hao *et al*, 2013). We completely agree with this suggestion.

Thirdly, the government should terminate discrimination between firms on the basis of their ownership (Nguyen Duc Do, 2016). In Vietnam as an example, state-owned firms are still entitled to have some favorable treatments, including tax exemptions, loans with preferential interest rates, and some loss coverage. By lifting these forms of discrimination, differences in the economic and social costs of doing business in various types of firms in the economy will be materially reduced. This represents an important precondition for generating a fair competitive environment in Vietnam (Vu Thanh Tu Anh, 2006). This results is as same as Doan Ngoc Duc (2014).

Fourth, it is a widely held view among economists that privatization and competition have separable effects on the performance of privatized firms (see, for example Megginson and Netter (2001). However, as suggested in previous sections, under the context of Vietnam where there are nearly unchanged management boards and style (Trung Hieu, 2016), a lack of strategic investors, less developed stock markets and weak enforcement of laws and regulations, there is a strong need for competition (Vu Anh, 2006). Various researchers who study privatization in Vietnam widely believe that competition can substitute for the lack of capital market disciplines, bring about the incentives for innovation in privatized firms, increase the monitoring of owners and creditors, and ensure the enforceability of the laws and regulations (Vu Anh, 2006). However, to have effective regulations on competition the government should focus on changing management skills, improving access to information sources which is seen as the key ingredient (Cook & Minogue, 2002).

Next, in relation to the transparency and information disclosure, the government should focus on enforcing the regulations about the disclosure of financial performance and position of privatized firms. These shortcomings may have had substantial consequences for the decision making processes of firms' managers and investors.

Sixth, it is reported that there is various issues pertaining to firm valuation in prior-IPO stage. Researchers confirm that the valuation method applied for firms during the privatization process is compulsory and it does not pay attention to the own characteristics of privatized firms (Tran TC., et al, 2006). Thus, to speed up privatization process, the government should allow various and appropriate valuation method for each specific privatized firm. It is also important to set up a system for supervising and monitoring the firm valuation process and inspection activities in particular case.

Last but not least, it has been reported that determination of goodwill, value of land-use-rights and bad debts of firms are key obstacle (Trung Hieu, 2016). Thus, to speed up process of ownership transferred, before conducting privatization, it is necessary to focus on solving firms' financial difficulties.

Finally, the paper collected data and made analysis for Vietnamese firms in privatization process. The paper indicates that privatization leads to universal increase in profitability, lower debt and leverage, lower asset usage efficiency, and potential risk of paying short-term liabilities appearing in research firms. Our lesson is for not only Vietnamese government but also other jurisdictions which are following privatization program is that privatization program should be continued. However, the government should focus on improving decision making process, changing for management skills in SOEs, improving competition environment, etc. beside other changes.

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