

Partial Privatization, Control Rights of Large Shareholders and Privatized Shares Transfer: Evidence from Chinese State-Owned Listed Companies

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Abstract : The partial privatization of state-owned enterprises (SOEs) is a dynamic process. The main features of this process lie in not only gradual and sequential privatizations, but also privatized shares transfer. For partially privatized SOEs, the introduction of private sector ownership is not the end of the story because the previously introduced private owners may choose to leave the SOEs by transferring the privatized shares after privatization, a process that is called "privatized shares transfer". This paper investigates the determinants of privatized shares transfer from the perspective of large shareholders' control rights. The results capture the fact that the higher control rights of large shareholders lead to more privatized shares transfer. After exploring the impacts of excessive control rights, the results provide evidence supporting the idea that firms with excessive numbers of directors, senior managers or supervisors who also have positions in the largest controlling shareholder's entity are more likely to transfer privatized shares owned by private owners. In addition, the largest shareholders' ownership also plays a role in privatized shares transfer. This evidence suggests that the large shareholders' control rights should be limited to an appropriate range during the process of privatization, thereby giving private shareholders more opportunity to participate in the operation of firms, strengthen the state and enhance the competitiveness of state capital.

Keywords : control rights of large shareholders, partial privatization, privatized shares transfer, state-owned listed companies

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