Impact of Economic and Political Factors on Bank Privatization in Developing and Developed Nations

PRASHANT KUMAR*[1], Dr. SONAL CHOUDHARY[1]

[1]Faculty of Commerce & Management, Madhyanchal Professional University, Bhopal, M.P., India.

ABSTRACT - We investigate the relationships between political, institutional, and economic variables and a nation's choice to privatize its state-owned banks. We discover that the factors influencing this choice are significantly different between OECD and non-OECD countries using a large panel of 101 countries from 2002 to 2022. Only in developing nations can political issues have a substantial impact on the possibility of bank privatization. A bank privatization is more likely in non-OECD nations the more answerable the government is to its citizens. In contrast, none of our political variables influence the decision to privatize a bank in industrialized nations. In both OECD and non-OECD countries, economic factors—such as the caliber of the country's banking sector are important predictors of bank privatization.

Key words: Privatization, Banking, Banking Development, Bank Policies

I.   OVERVIEW

This essay discusses a nation's choice to privatize its state-owned banks. Privatization of the banking industry is frequently viewed as a contentious topic because state-owned banks (SOBs) sometimes provide governments with crucial policy instruments. According to prior research, privatization generally enhances company performance, increases revenue for governments that are privatizing, and fosters the growth of capital markets. A comprehensive dataset of all nations with privatization activities since 2002 is the basis for our analysis.

At least one bank has been privatized by the state in nearly half of these nations. We want to shed light on why certain nations have privatized their banks while others have not. The question of whether and when to privatize a SOB typically has political repercussions and the government must weigh the advantages and disadvantages of doing so.

Benefits include sales proceeds, improved bank performance, and the growth of the capital market. The loss of the government's capacity to utilize the bank for political objectives is one of the more complex costs. These objectives include favoritism, the creation of jobs, and the capacity to use the bank as a conduit for funds for political objectives (such as providing subsidized loans to political allies and supporting the government outside of the budget). Because local politicians frequently bear the brunt of the effects of privatization while national politicians typically weigh the costs and advantages for themselves, the position is particularly complicated.

Studying the decision-making process that results in bank privatisations can be done in part by concentrating closely on certain nations. Many institutional, legal, social, and economic aspects that are challenging to account for in cross-sectional research can be more easily controlled for using this method. Clarke and Cull (2002, 2012, 2022) offer great instances of thorough national assessments in the context of bank privatization. For instance, Clarke and Cull (2002) investigate the impact of the Argentinean Convertibility Plan's execution on the political and financial incentives for provincial governments to hold banks in the early 2000s. They discover that banks with low performance were more likely to be privatized. Additionally, increased provincial unemployment rates and higher percentages of public employees decreased the likelihood of privatization.

The second strategy, which we opt for in this research, entails looking at a larger cross-section of nations. We feel that it complements the assessments of each particular country, even though it does not allow us to look into specific concerns in depth for each country. We note the possible drawbacks of a broader approach because our ability to make broad conclusions is constrained by inconsistent data across nations and partially incomplete data (see Megginson and Netter 2021). On the other hand, we can concentrate on systematic differences between nations and pinpoint the elements that are crucial for bank privatizations. We think that our examination of bank privatization can offer significant new information to regulators and policymakers.

An article examines the connection between a nation's political and economic circumstances and its choice to sell

(or not sell) state-owned banks to the general public using an all-encompassing approach. We also look at how political and economic issues impact when bank privatisations happen. The fiscal health of the nation, the strength and scale of the banking industry, the likelihood of a financial crisis, and the maturity of the capital markets are among the economic variables we consider. The political factors include evaluations of governmental stability and political risk, governmental economic focus, and governmental transparency.

Additionally, we divide the sample into OECD and non-OECD nations to check for any consistent variations based on degree of economic development. The cost/benefit tradeoffs of privatisation should, theoretically, be different for political leaders in developed and developing nations. For instance, political risk factors vary more in emerging nations than they do in rich nations. In non-OECD countries, we also anticipate that variables measuring off-budget finance and public accountability of politicians will be significant; however, it is less probable that these variables would serve as legally binding restrictions on privatization in wealthy nations.

We discover that the factors that affect bank privatization vary significantly across industrialized and developing countries. Political issues have a big impact on SOB privatization choices in developing nations. Particularly in non-OECD nations, bank privatization is more likely the more accountable the government is to the populace. Alternatively, when OECD nations privatise banks, political issues are less significant. We also discover that economic considerations, like the caliber of a country's banking system, have a substantial role in determining the privatization of SOBs in both emerging and wealthy nations. These findings are often resistant to various model assumptions. When we use univariate tests, logistic regressions to determine whether a country had privatized a bank, and duration models to determine when the first SOB was privatized and to what extent, we obtain qualitatively similar results.

Overall, our data imply that, particularly in non-OECD (developing countries), the institutional environment is a critical factor in determining the likelihood of privatizing banks. This is in line with a growing body of research that highlights the significance of the legal and political landscape in the growth of the capital markets (see Denis and McConnell, 2013). Our work is most closely related to that of Bortolotti and Pinotti (2013), who demonstrate that a nation's political system has a considerable impact on a country's likelihood of privatization using panel data for 21 industrialized nations. We demonstrate that in the case of banks, this is true in non-OECD countries but not in OECD countries.

The remainder of our paper is organized as follows. Section 2 describes our sample. Section 3 outlines our empirical methodology. In Section 4, we identify economic and political characteristics that may affect the likelihood of SOB privatization and present our results.

Section 5 provides a summary and a conclusion.

II. BANK PRIVATIZATION DATA

We use the large sample of privatizations from Megginson, Nash, Netter, and Poulsen (2004). They obtain a comprehensive sample of privatizations from two principal sources: Privatization International, a proprietary database that attempts to include privatizations from all nations (developing and developed); and the World Bank Privatization database. (See Megginson, Nash, Netter, and Poulsen (2004) for further description of the data). These data represent the transaction level (so that one state-owned company may appear more than once in the sample) and provide details on variables including offer size, offer date, method ofsale, and percentage of capital sold.

Table 1 (Panel A) provides basic descriptive statistics of the privatization activity in our sample countries. Including both developed and developing nations, 101 countries privatized a state-owned firm between 2002 and 2022 Almost half of the countries that conducted a privatization also privatized a state-owned bank (SOB). Overall, privatization of SOBs account for approximately 11% of the number of transactions and 10% of their value. Our SOB transactions are approximately evenly divided between public share offerings (47%) and direct sale to a private investor (53%). The average (median) SOB privatization raises 442 million (156 million), which is similar to the findings of Verbrugge et al. (1999). Also consistent with Verbrugge et al. (1999), we find that governments are hesitant to relinquish control of SOBs by selling more than 50% of the equity. The average (median) percentage of SOB capitalprivatized is 47.7% (41%).

Panel B partitions the sample by OECD and non-OECD countries. We identify a country as OECD if it was an OECD member by 1982. Of the 80 non-OECD countries in our sample, 33 (41.3%) implemented a SOB privatization. A much higher proportion (almost 86%) of OECD nations privatized a SOB during our sample period. The SOB transaction size is smaller for non-OECD countries, where the average (median) SOB transaction is 247 million (85 million) vs. 710 (376) in the OECD portion. The government does not typically relinquish control in SOB transactions in either subsample.

Table presents the SOB privatizing transactions by country for each year of our sample period. Panel A (non-OECD countries) reveals that SOB privatization was relatively rare until the early 2000s. SOB transactions were heaviest in the later 1990s with 68% occurring between 1994 and 1999.[4] Mexico conducted 20 sales during our sample period, the most SOB privatization transactions of the non-OECD countries.[5] Panel B provides similar details regarding SOB

privatization in OECD countries. As in the non-OECD countries, SOB privatization activity was greatest in the 2000s with 60% of the OECD transactions from 2002-2022.

In Table, we present information about the timing, quantity, and size of privatization activity in each of our sample countries. The table shows the period of time between a country's first privatization (regardless of industry) and its first SOB privatization. For the initial transaction, most countries chose a SOE from an industry other than banking. The country's first SOB privatization typically occurs 1-3

years later (median of 1 year for non-OECD; 2.5 years for OECD).

Next, the table compares the number of SOB transactions to all privatizations in each country. We see that the average non-OECD country conducts a smaller number of SOB transactions (9% of total transactions for non-OECD vs. 19% for OECD).

Finally, table shows the dollar-value of SOB privatizations relative to all privatizations. SOB privatizations in non-OECD countries represent a smaller fraction of the dollar value privatized(11% vs. 18% for the OECD).

Table:- This table presents data about the timing, quantity, and size of privatization activity. The sample includes 101 countries that have privatized any company (bank or non-bank) since 1982.

Panel A: Non-OECD Countries

Country	First Priv	First SOB Priv	Time Since First Priv	Number of SOB Priv	% of SOB Priv	$ Amount SOB Priv	% of SOB Priv
Malaysia	1985			0	0%	0	0%
Israel	1986	1992	6	16	33%	4,524	62%
Jamaica	1986	1986	0	2	13%	40	14%
Kenya	1986	1986	0	8	27%	87	47%
Brazil	1988	1997	9	7	6%	5,521	8%
Chile	1988			0	0%	0	0%
Mexico	1988	1991	3	20	29%	14,954	47%
South Africa	1988			0	0%	0	0%
Thailand	1988	1989	1	3	18%	568	24%
Korea	1989	1994	5	2	14%	964	9%
Nigeria	1989			0	0%	0	0%
Philippines	1989	1989	0	7	26%	718	25%
Sri Lanka	1989	1994	5	2	3%	78	11%
Taiwan	1989	1992	3	3	14%	1,774	22%
Argentina	1990	1994	4	5	6%	998	3%
Belize	1990			0	0%	0	0%
Pakistan	1990	1991	1	6	19%	101	6%
Singapore	1990	1993	3	1	9%	27	0%
Uruguay	1990	1990	0	1	50%	15	88%
Venezuela	1990	1990	0	7	26%	587	10%
Colombia	1991	1994	3	5	29%	1,414	19%
Guyana	1991	1997	6	1	17%	20	18%
India	1991	1991	0	8	11%	2,576	34%
Panama	1991			0	0%	0	0%
Peru	1991	1991	0	7	7%	394	4%
Barbados	1992			0	0%	0	0%
Bolivia	1992			0	0%	0	0%
Guinea-Bissau	1992			0	0%	0	0%
Haiti	1992			0	0%	0	0%
Nepal	1992			0	0%	0	0%
Oman	1992			0	0%	0	0%
Uganda	1992	1997	5	4	15%	27	19%
Ecuador	1993			0	0%	0	0%
Egypt	1993	1993	0	7	6%	356	8%
Morocco	1993	1994	1	8	10%	626	24%
Trinidad & Tobago	1993	1994	1	1	6%	0	0%
Zambia	1993			0	0%	0	0%
Bahrain	1994			0	0%	0	0%
Bangladesh	1994			0	0%	0	0%
Benin	1994			0	0%	0	0%
Burkina Faso	1994			0	0%	0	0%
Costa Rica	1994			0	0%	0	0%
Ghana	1994	1996	2	4	9%	88	8%

Grenada	1994			0	0%	0	0%
Honduras	1994			0	0%	0	0%
Indonesia	1994	1996	2	2	12%	512	6%
Kuwait	1994	1994	0	10	50%	1,009	50%
Nicaragua	1994			0	0%	0	0%
Paraguay	1994			0	0%	0	0%
Zimbabwe	1994	1997	3	1	14%	44	31%
Guinea	1995			0	0%	0	0%
Iran	1995			0	0%	0	0%
Ivory Coast	1995	1999	4	2	6%	14	3%
Jordan	1995			0	0%	0	0%
Mozambique	1995	1996	1	2	11%	32	42%
Tanzania	1995			0	0%	0	0%
Tunisia	1995			0	0%	0	0%
Cameroon	1996			0	0%	0	0%
Congo	1996			0	0%	0	0%
Malawi	1996	1998	2	1	6%	3	11%
Mali	1996			0	0%	0	0%
Papua New Guinea	1996			0	0%	0	0%
Angola	1997			0	0%	0	0%
Guatemala	1997			0	0%	0	0%
Libya	1997			0	0%	0	0%
Senegal	1997			0	0%	0	0%
Sierra Leone	1997			0	0%	0	0%
Algeria	1998			0	0%	0	0%
El Salvador	1998			0	0%	0	0%
Ethiopia	1998			0	0%	0	0%
Gabon	1998			0	0%	0	0%
Lebanon	1998	1998	0	1	100%	122	100%
Malta	1998	1999	1	1	50%	250	73%
Qatar	1998			0	0%	0	0%
Cape Verde	1999	1999	0	1	50%	33	41%
Dominican Republic	1999			0	0%	0	0%
Hong Kong	1999			0	0%	0	0%
Lesotho	1999			0	0%	0	0%
Mauritania	1999			0	0%	0	0%
UAE	2000			0	0%	0	0%
Total				156		38,473	
Average	1993	1994	2.2	2	9%	481	11%
Median	1994	1994	1	0	0%	0	0%

Panel B: OECD Countries

Country	First Priv	First SOB Priv	Time Since First Priv	Number SOB Priv	% of SOB Priv	$ Amount SOB Priv	% of SOB Priv
UK	1982	1989	7	3	2%	955	1%
Italy	1985	1985	0	19	25%	25,593	22%
Japan	1986			0	0%	0	0%
Austria	1987	1995	8	4	12%	2,157	19%
France	1987	1991	4	9	21%	13,208	18%
Finland	1988	1995	7	1	4%	134	1%
Germany	1988	1988	0	5	9%	5,597	4%
New Zealand	1988	1988	0	4	17%	1,812	19%
Turkey	1988	1993	5	7	6%	1,235	16%
Australia	1989	1989	0	11	15%	7,488	12%
Netherlands	1989	1989	0	2	8%	1,322	7%

Portugal	1989	1989	0	12	19%	3,768	13%
Spain	1989	1993	4	4	10%	5,610	13%
Sweden	1989	1994	5	4	25%	3,405	16%
Denmark	1990	1993	3	1	14%	110	1%
Norway	1990	1993	3	6	60%	2,107	53%
Belgium	1991	1993	2	7	50%	3,726	45%
Greece	1991	1991	0	10	33%	2,430	25%
Ireland	1991			0	0%	0	0%
Iceland	1992	1993	1	5	71%	240	99%
Switzerland	1998			0	0%	0	0%
Total				114		80,897	
Average	1989	1991	2.70%	5.4	19%	3,852	18%
Median	1989	1992	2.50%	4	14%	2,107	13%

III. METHODOLOGY

Our main objective is to look at what factors influence a nation's decision to privatize a SOB and when this decision is made. We also inquire about the variations in these factors between developing (non-OECD) and developed (OECD) nations. We also perform sensitivity tests using a classification based on levels of gross national income, even if OECD membership is a natural classification variable to discriminate between various degrees of development. We typically do not require coefficients to be equal across OECD and non-OECD nations in order to find disparities between these two groups. To publish the results when they differ from the results of the unconstrained estimation, we also estimate pooled models with a few restrictions.

Governments that privatize a SOB are contrasted with those that do not. We emphasize that because we only have data on nations that have completed at least one privatization, in any industry, between 2002 and 2022, our empirical conclusions are dependent on a country's general intention to open its economy. In their initial privatization deals, 18 of the 101 nations in our sample and possibly later sold a bank. 33 additional companies privatized a company from a different industry at first, and afterwards they sold at least one bank. The majority (50 countries) of the sample privatized non-banking businesses but never banks.

We start out by offering a univariate comparison of national traits in the year of the bank privatization. Second, we calculate the marginal impacts of each variable on the chance of a bank privatization using a logistic regression model. Third, we calculate a duration model with time-varying covariates to analyses how long it takes a nation to privatize a SOB after making the initial choice to sell any company. Finally, we look at the variables that influence how much SOB privatization occurs in each nation.

The unconditional analysis is useful because it gives us a broad overview of possible factors and enables us to pinpoint the equilibrium changes brought on by the choice to privatize a bank. However, we are unable to separate the relative importance of each variable without a multivariate model. In order to achieve this, we model the annual likelihood that a nation will privatize a bank and use a log it link function to relate this likelihood to the explanatory factors. The temporal dimension cannot be directly incorporated into the logistic analysis by design. As economic, political, and financial circumstances change over time, a nation's choice to privatize a bank is likely to shift as well. In a third strategy, we use duration models to capture this time dependency. We measure the time between a country's first-ever privatization and its first SOB transaction, and examine which factors determine the length of this period.

The panel nature of our data makes it necessary to control for unobservable effects that may be associated with countries or specific years. It makes little sense to control for country effects, because our primary interest lies in the cross-sectional differences between countries. We do control for unobservable time effects by including fixed effects for each year except the most recent one. This approach yields consistent estimates when time effects are present, but it reduces the number of observations we can use. While the univariate tests are based on all country-years, we have to eliminate years where no country privatized a bank from the panel estimation. For example, there is no SOB privatization in 1987; this implies that all 1987 observations for the dependent variable are equal to zero. As a result, the fixed time effects would provide a quasi-complete separation of data points and maximum-likelihood estimates would not be unique. Therefore, for each group (OECD and non-OECD), we retain only years where at least one country privatized at least one bank. We believe this approach leads to more powerful and more reasonable estimation than either ignoring time effects (which are econometrically problematic) or condensing the panel to a cross-section (which ignores information and

thus reduces power). The estimation results are not sensitive to this particular specification. Although estimates may not be consistent, we obtain qualitatively identical results when we omit time fixed effects and use the entire panel for estimation.

We provide maximum-likelihood coefficient estimates and the related Wald X2 statistics' p-value for each regression. In order to make the estimates easier to understand, we also compute the odds ratios (the modification in the chance of a bank privatization) for an increase in each independent variable of one standard deviation. Finally, in order to assess the explanatory strength of each regression, we give the p-value of a likelihood-ratio test that all coefficients are collectively equal to zero.

The ability to identify each nation's initial privatization—which we regard as the beginning of a privatization program—is one benefit of our data panel. A logical concern is how long this process takes since we also know when it privatized its first bank. This is crucial because political factors make the choice to start privatizing state-owned companies in general very different from the choice to privatize a bank. In the third section of our analysis, we try to provide an answer. We calculate the factors affecting the length of this procedure using a hazard-rate duration model. We specifically assume that the following hazard rate determines a country's likelihood of quitting (i.e., privatizing its first bank) in each period:

$$h(t) = \frac{\text{Probability of exiting between } t \text{ and } t + \Box t}{\text{Probability of exiting after } t}$$

We estimate a semi-parametric Cox (1972) model $h(t) = h_0(t)e^{X(t)\Box}$ with time-varying covariates $X(t)$ that have a multiplicative effect on the hazard. The matrix of covariates X consists of the same explanatory variables used in the logistic regression. The baseline hazard $h_0(t)$ is left unspecified as in the Cox (2018) model and the coefficients $\Box$ are estimated via partial maximum likelihood.

As in the logistic regression, we wish to capture the fact that countries have a choice between privatizing a SOB and doing nothing. However, we now model this decision dynamically by allowing a country to revisit the decision in every year until a bank is sold or our sample period ends. The latter case represents right-censoring, because a country that has not yet privatized a bank by the end of our sample period may still do so in the future. The duration model can explicitly incorporate censored observations.

One concern about our sample is that the number of bank privatization years is small relative to the number of all country-years. In logistic regressions, this often leads to a larger percentage of 'false positives', relative to the number of predicted positives, than in a more balanced sample. We believe that this issue does not systematically affect our results, because we are primarily interested in the slope

coefficients, and not in predicted values.

Moreover, sample composition should not affect the proportion of false positives relative to the sample size.

Finally, we only have annual observations for most variables and have to decide whether to use contemporaneous or lagged independent variables. On one hand, we wish to include the most recent information that is available to the decision makers as explanatory variables. On the other hand, endogeneity problems arise if the pending transaction affects the explanatory variables. We do not believe, however, that our explanatory variables are sensitive to contemporaneous bank privatizations. Each of these factors assesses a distinct aspect of the macroeconomic or political environment of a particular nation. Because they depend on a multitude of inputs, these measures are unlikely to respond dramatically to changes in any other single variable in the short term. Due to this, we believe that using the most recent data to explain bank privatizations is more advantageous than using older data because endogeneity of the explanatory factors is only a remote risk. Therefore, in both the logistic and the hazard regressions, we relate privatizations to explanatory factors reported in the same year. However, empirically, when we employ lagged repressors, our results are qualitatively the same because the time-series variance for all explanatory factors is significantly lower than the corresponding cross-sectional variation.

IV.   RESULTS: FACTORS AFFECTING LIKELIHOOD AND TIMING OF SOB PRIVATIZATION

Our independent variables track the political and economic aspects that are thought to affect a government's choice to privatize a SOB. The Emerging Stock Markets Factbook, International Financial Statistics, International Country Risk Guide (PRS Group), databases from the World Bank and other organizations, and numerous scholarly articles are among the sources for the explanatory factors. A comprehensive list of all independent variables and sources may be found. We go over each one individually along with the univariate outcomes. With and without SOB transactions, we divide the results into country-years. Statistics for non-OECD nations are shown in Panel A, whereas statistics for OECD countries are shown in Panel B. Reporting the means and medians, we check to see if they are comparable between the two sets of countries. (using a two-sample t- test and a non-parametric Wilcoxon rank-sum test, respectively).

Guiding our analysis is a basic hypothesis that politics operate differently in the OECD (developed) and non-OECD (developing) countries. This is consistent with much of the theoretical and empirical evidence in this area and we will not review the arguments here.

Because we expect differences in the factors that influence whether privatization has occurred, we separate the data into the two groups. Most importantly, the institutional and political-risk factors we examine exhibit much greater variation in the non-OECD countries. They also have different mean levels and thus may not be binding constraints to privatization in the OECD countries. While we are not able to capture all the underlying factors that lead to this distinction, or develop a detailed model of privatization, we can identify several variables where we would expect the politics to operate differently.

First, the national politicians who decide on budget and tax issues and normally make the privatization decisions are not the same as the local politicians who typically dictate banks' lending and employment policies. The advantages and disadvantages of SOB privatization do not therefore affect the same people. The likelihood of SOB privatization will increase (assuming privatization choices are taken by national politicians) to the extent that advantages accruing to local politicians are linked to costs imposed on national politicians (i.e., the economy). In addition, the underlying political and economic issues vary more widely in non-OECD countries than in OECD countries. The larger variation in non-OECD nations will increase the likelihood that these variables have explanatory power if they have an impact on privatization decisions.

First, the local politicians who typically determine banks' lending and employment policies are not the same as the national politicians who decide on budget and tax issues, and usually make the privatization decisions. Thus, the benefits and costs of SOB privatization do not fall on the same individuals. To the extent that benefits accruing to local politicians are associated with costs imposed on national politicians (i.e., the economy), the likelihood of SOB privatization (assuming privatization decisions are made by national politicians) will be greater. Furthermore, the non-OECD countries have greater variation than the OECD countries in the underlying political and economic factors. If these variables affect decisions to privatize, the greater variation in non-OECD countries will make it more likely that those variables have explanatory power in the non-OECD countries.

Economic Factors

A government may take into account elements unique to the banking industry as well as factors pertaining to the overall economy when considering the privatisation of a SOB. We discuss possible economic implications on privatisation policy in the paragraphs that follow. We also make predictions on how each economic variable might influence whether a government will privatise a state-owned bank.

Fiscal Pressure

A common objective of privatizations is to raise revenue for the government. In a study specific to bank privatizations,

Verbrugge et al. (2020) find that governments appear to structure SOB privatizations in order to maximize the proceeds from the sale. However, Clarke and Cull (2022) find little evidence that fiscal needs affected the likelihood of SOB privatization in Argentina. Further, since a government's need for revenue is especially pronounced during periods of fiscal crisis, we expect the probability of SOB privatization to increase as a country's deficit widens.[9] This factor should influence the privatization decision in both OECD and non-OECD nations. Unlike some of the other variables, the variation between countries in this variable is more similar across OECD and non-OECD countries.

We identify the annual budget deficit for each nation from the International Financial Statistics of the IMF and find no differences between non-OECD countries that privatized a bank and those that did not. However, for OECD countries, the median deficit is larger in absolute terms for countries that privatized a SOB. This suggests fiscal pressure is related to the privatization decision only in OECD countries.

Quality of Banking Sector

Governments may also consider the quality of the nation's banking sector when considering the privatization of SOBs. Megginson (2014) and Megginson and Netter (2021) argue that the evidence shows privatization leads to improved performance. Privatization frees the government from providing subsidies to loss-making SOEs and encourages the restructuring of unprofitable firms. Caprio and Klingebiel (2020) and Verbrugge et al. (2020) show that many state-owned banks exhibit poor financial performance, possibly because the banks were used to make politically-motivated loans. If governments use privatization to improve financial performance, SOB privatization should be likely in countries with lower quality banking sectors. Consistent with this hypothesis, Clarke and Cull (2022) find strong evidence that poorly performing SOBs are more frequently privatized.

We employ two metrics to gauge the quality of a country's banks. Our first measure of bank quality is the ratio of bank loans to the public sector to total bank assets. In an earlier paper, Clarke and Cull show that less efficient banks typically make more loans to public entities. Further, they find that a larger relative amount of lending to the public sector increases the probability that a SOB would be privatized. Therefore, if a higher proportion of loans to public entities are a characteristic of weaker performance, we expect a positive relation between lending to government and the probability of SOB privatization. In a political sense, this variable captures the use of banks by politicians to engage in off-budget targeted spending to their clients.

This proxy for bank quality is more likely to be a

significant determinant of privatization in non-OECD countries than OECD countries. In non-OECD countries, there is more variation in the checks and balances that control politicians' actions. Thus, there are greater opportunities in some non-OECD nations for local politicians to use banks to engage in off- budget targeted spending on their clienteles. Accordingly, there is more benefit to the national politicians to privatize banks where off-budget targeted spending, and thus the economic cost,is large.

Our second proxy for bank quality focuses on banks' equity capital. Lower equity- capital should indicate a weaker banking sector. One approximate measure that is consistently available is the ratio of the difference between total bank assets and total bank deposits to total bank assets. We predict a negative relation between this bank equity-capital ratio and the likelihood of SOB privatization. This variable also captures political aspects of SOBs, because lower capital implies that using bank lending for political gains is less feasible.The univariate results support our hypotheses regarding the relation between banking sector quality and the likelihood of SOB privatization. In the comparison of means for non-OECD countries, we find the expected negative association between the bank equity-capital ratio and the likelihood a government privatizes a SOB. This does not hold in the OECD countries.

However, inspection of the bank equity ratios reveals that the OECD banks have much more equity-capital (approximately 46% of total assets vs. approximately 30% for the non-OECD). Therefore, lack of adequate equity is not as critical a concern in OECD countries.

The results is also support our expectation that privatization is more likely if banks extend more loans to government entities. The mean and median values of the ratio ofloans to government are higher for countries that privatized a bank than those that did not.

This is one of the few variables that has a similar effect on SOB privatization in both OECDand non-OECD countries.

Banking Crises

Clarke and Cull (2002, 2012, 2022) and World Bank note that governments facing an economic crisis, such as systemic bank failures, are more likely to privatize. A systemic banking crisis occurs when much or all of a nation's bank capital is exhausted. Clarke and Cull (2012), Barth, Caprio, and Levine (2020), and Caprio and Klingebiel document banking crises around the world during our sample period. Bank insolvencies have been especially costly in the developing countries and have substantially contributed to government deficits. Therefore, to lessen the fiscal burden and reduce the probability of future bank failures, governments may be more likely to privatize SOBs following a systemic bankingcrisis, and we expect this effect to be stronger in developing countries.

We use the data from Barth et. al. (2020) and Caprio and Klingebiel to construct a variable that takes the value 1 if a country had a bank crisis in that year and 0 otherwise.

Consistent with our prediction, the univariate results indicate that a banking crisis increases the probability of a SOB privatization in non-OECD countries — the mean and median values of the crisis variable are significantly higher in the countries that privatized a bank. There is no relation between banking crises and SOB privatization in OECD countries.

Capital Market Development

Megginson et al. present evidence that governments use privatizations to spur the growth of fledgling financial markets. Perotti and Oijen, Subrahmanyam and Titman, and McLindon note that privatization through public share offerings can jumpstart stock-market development and trigger gains in economic growth and efficiency.[11] For example, the privatization of large banks through share offerings should enhance the liquidity of the nation's equity market. With more shareholders, the market becomes more efficient. This encourages more firms to go public and the capital market experiences rapid growth. Verbrugge et al. document that SOB privatizations have created hundreds of thousands of new shareholders in countries around the world. The benefits from SOB privatization should be most significant in the equity markets of developing nations. These countries typically have less sophisticated capital markets (Demirguc-Kunt and Huizinga, 2000) and more state-owned banks. Therefore, if governments use privatizations to encourage stock market development, we expect SOB privatizations to be more likely in nations with less developed equity markets. We follow Megginson et al., Booth et al., Demirguc-Kunt and Maksimovic and others and measure stock market development with the ratio of annual equity value-traded to market capitalization.

The univariate tests reveal a positive relation between equity market development and the probability of SOB privatization in non-OECD countries. This is inconsistent with the hypothesis that governments use SOB privatizations to stimulate the growth of domestic stock markets. However, this result is consistent with Verbrugge et al. who find that governments often require a well-developed equity market in order to execute a larger bank share-issue privatization (SIP). Furthermore, while SOB privatizations can create many new shareholders, other types of privatizations typically have an even larger impact on stock market development. Megginson et al. show that telecom privatizations are the largest offerings in a majority of countries and create the most new shareholders. Therefore, governments seeking to develop equity markets may do so through privatization of telecoms or other state-owned enterprises that are perhaps larger or more well-known than the nation's SOBs. In addition, the univariate results do not capture the more subtle difference between

using SIP and asset sale privatizations to develop capital markets. This may be important, because only SIP privatizations have a direct effect on the development of capital markets.

Size of the Private Banking Sector

Similar to using privatization to bolster its capital market, a government may also use SOB privatizations to enhance the country's private banking sector. Barth et al. and Beck et al. report that state-owned banks are more dominant in developing countries. We also have anecdotal evidence that state-owned banks are notorious for making politically-motivated loans, which are often economically unsound. As a result, governments may choose to privatize SOBs to improve access to private funding and reduce the state's involvement in capital allocation. We expect governments of countries with smaller privatebanking sectors to be more likely to privatize SOBs.

Demirguc-Kunt and Huizinga present two proxies to measure the size of a nation's private banking sector. First, the aggregate assets of private banks (as a percentage of GDP) indicate the overall size of a nation's private banking sector. Second, the aggregate credit from private banks to the private sector (as a percentage of GDP) identifies the quantityof credit provided by private banks. We expect that the probability of SOB privatization is negatively related to each of these measures of banking sector development. The univariate results, however, provide no evidence of such a relationship.

Political Factors

In addition to economic characteristics, political and legal factors also influence the privatization decision and Netter for a more complete discussion of the influence of political and legal factors on the workings of capital markets). Political influences are especially important in SOB privatizations because state-owned banks provide a significant source of political rents. Verbrugge et al. and Shleifer and Vishny describe SOBs as a powerful political tool, frequently used to reward supporters with high-wage jobs or favorable loans. Furthermore, Claessens and Djankov and Bortolotti et al. note that governments use SOBs to channel funds that cover the losses of other state-owned enterprises. Such subsidies may be necessary because the other SOEs are also being used to garner political favor. We identify the following political factors that may influence the likelihood of SOB privatization.

Political Risk & Government Stability

Clarke and Cull et al. contend that governments choose privatization when the political gains outweigh the political drawbacks. Privatization may incur significant political costs for a government because it is typically associated with layoffs or other politically unfavorable results. As a result, less secure governments may be unwilling or unable to accept the political risk that a big privatization entails. Bortolotti and Pinotti back up this hypothesis by discovering that privatization is more likely in more stable regimes.

Political risk may be especially significant in coalition or consensual governments. In regimes with consensual rule, at least one group's constituents will probably be averse to privatization. This makes obtaining approval for privatization very difficult. Clarke and Cull (2002) find weak evidence that privatization is less likely if another party holds veto power to block the privatization at either the legislative or executive levels. Similarly, Bortolotti and Pinotti (2003) demonstrate that privatisation occurs more frequently in majoritarian regimes, where policy choices are easier to obtain and the executive is more stable. Furthermore, Svensson, Clague et al., as well as Knack and Keefer, argue that less secure governments may be unable to successfully enforce property and contractual rights. Such safeguards are required to carry out privatisation. As a result, we anticipate a link between government stability and the possibility of SOB privatisation. The International Country Risk Guide (PRS Group) variable for government stability gauges each country's total political risk. This variable comprises the government's capacity to remain in power and carry out its stated policies. Lower levels suggest a higher level of political risk.

As expected, the results reveal that in non-OECD countries greater political stability is associated with SOB privatization (means and medians of the political risk variables are significantly higher in nations that privatized a SOB). We find the opposite result for OECD nations. This is not entirely surprising since political risk is consistently lower in OECD countries and exhibits less variability than in the non-OECD countries.

Accountability to Voters & Public Pressure

We note above that SOBs may be valuable to politicians as "patronage machines" to build support through the channeling of funds to favored clienteles. However, a public official's ability to capture rents from state-bank ownership may be limited by an institutional structure that provides accountability to voters. Greater public accountability would suggest less tolerance for off-budget financing of government, targeted spending on favored constituents, and other uses of SOBs for political advantage. For example, Shapiro and Willig (1990) note that a well-functioning political system restricts the ability of politicians to pursue personal interests. Additionally, Bortolotti and Pinotti (2003) contend that the threat of competitive elections keeps public officials "on their toes" and mitigates a politician's willingness to exploit SOEs for political or personal gain. Since politicians who are more accountable to voters may be less willing to expropriate value from SOEs, these politicians should view privatization as a more viable option.[13] Therefore, greater

accountability to voters, by limiting the ability to extract political benefits from SOBs, should increase the likelihood of privatization. We measure the politician's degree of accountability to voters with the democratic accountability index from the International Country Risk Guide (PRS Group) and predict a positive relationship with the likelihood of SOB privatization.

Again, we may expect different results for non-OECD countries and OECD countries.

In developing nations, there is much more variation in democratic accountability and the average level of democratic accountability is much lower than in the OECD countries. While accountability in OECD countries is generally sufficient for privatization to proceed, this does not hold in all non-OECD countries. Thus, we expect this variable to be more important in non-OECD nations. The univariate results are consistent with this hypothesis: greater government accountability is associated with more SOB privatizations in non-OECD countries, but not in OECD countries.

A complication is that government accountability to voters may be related to other factors. For example, in the case of banks, public pressure on politicians to privatize state-owned banks may be exacerbated by events such as a banking crisis. Clarke and Cull (1997, 2002) identify a significant increase in the likelihood of SOB privatization in Argentina following the Tequila Crisis. They further note that the crisis intensified public support for privatization by exposing the politically motivated activities of the SOBs.

The success of earlier privatizations may also increase public pressure calling for the government's sale of SOBs. As Megginson and Netter (2001) summarize, privatized firms frequently exhibit significant improvements in financial and operating performance.

Furthermore, privatizations allow divesting governments to generate revenue without raising taxes. As a result, popular support for SOB privatization may strengthen as privatization becomes more widespread. In their study of the privatization experience in Argentina, Clarke and Cull (1997) find that government sales of SOBs become more likely over time.

Accordingly, we expect that the probability of SOB privatization increases as time passes since the nation's first privatization. To capture this effect, we compute the time since first privatization for all country-years. For both non-OECD and OECD countries, the number is significantly higher for countries with a bank privatization. This suggests that privatization in general builds momentum for bank privatization.

Economic Orientation of Government

The executive's economic ideology may also affect the government's likelihood of privatizing a SOB. Beck,

Clarke, Groff, Keefer, and Walsh (2001) identify the economic orientation of each country's ruling government, classifying right-wing governments (conservative, Christian democratic, or rightist parties) as those that favor less state control over the economy and left-wing governments (communist, socialist, or leftist parties) as those that exert more state control. Megginson et al. (2004) and Clarke and Cull (1997) use similar measures of ideology and find that a government's economic orientation figures significantly in its privatization decisions. We follow Clarke and Cull (1997) and expect that a state-owned bank is more likely to be privatized by a fiscally conservative (right-wing) government.

We measure political orientation with an indicator variable (Right) which takes a value of 1 if the executive is from a right-wing party (as specified by Beck et al. (2001)). A difficulty with this variable, especially in developing countries where political parties may not have credible philosophies, is measurement error. For example, right-wing may be defined by the willingness of a government to privatize.[15] In the univariate results for the right-wing variable, we do not find any significant differences between privatizing countries and those that did not privatize a SOB.

Regression results

In this section, we first report the results of logistic regressions that model a country's decision to privatize a SOB. Next, we estimate a duration model that explicitly considers that this decision may vary with changes in the economic and political environment over time. We also present a model explaining the scope of SOB privatization in each country.

Logistic regressions explaining whether a country has privatized a SOB

Table 6 presents our logistic regression results. We provide two models that include variables we hypothesize to affect the likelihood of SOB privatization. As with the univariate analysis, we focus on the difference between non-OECD (Panel A) and OECD countries (Panel B).

Regarding the economic characteristics, our data indicate that the bank quality variables are important factors in a government's decision to privatize SOBs in both developing and developed countries. For the non-OECD countries, we find that both of our measures of banking sector quality significantly affect the probability of SOB privatization. Lower bank equity-capital ratios suggest a weaker financial sector. Consistent with our predictions, there is a significant negative relation between the bank equity-capital ratio and the likelihood of SOB privatization. A larger proportion of lending to the public sector is another indicator of poorly performing banks. Table 6 (Panel A) shows that SOB privatization is more likely if banks make more loans to the public sector. In fact, a one-standard deviation increase in public loans more than

doubles the likelihood of bank privatization (the odds ratio is 2.18). Overall, these findings suggest that governments in non-OECD countries are more likely to privatize a SOB when the quality of the nation's banking sector is poor. We also find evidence of a relation between bank quality and the probability of SOB privatization in OECD countries (Panel B). As in the developing nations, a larger amount of public sector lending (reflecting weaker bank quality) significantly increases the likelihood of SOB privatization in OECD countries. Therefore, the quality of the banking sector appears to affect the SOB privatization decision regardless of whether OECD or non-OECD.

To obtain an alternative measure of banking-sector quality, we follow Clarke and Cull(2002) and gather information on non-performing loans (NPLs). The World Bank provides summary data on NPLs for a subset of our sample countries. First, to confirm the efficacy of our measures of bank quality, we verify that a country's level of non-performing loans is positively correlated to public sector lending and is negatively correlated to bank-equity capital ratios. All correlations are significant at the 1% or better levels. Second, all regression results are qualitatively unchanged when we use NPL to measure banking sector quality.

In the developing nations, the government's fiscal condition does not appear to affect the likelihood of SOB privatization. Panel A indicates no significant relation between the government's deficit and its decision whether to privatize a SOB. However, in OECD countries(Panel B), the government's deficit is a significant determinant of SOB privatization: a one- standard deviation increase in the deficit decreases the likelihood of bank privatization by 27% (the odds ratio is 0.73). Additionally, the regressions reveal no significant relation between equity market development (MktDevlp) and the probability of SOB privatization. Therefore, governments do not appear to use SOB privatizations as instruments to expand the size and liquidity of equity markets.

Our variable measuring government involvement in the banking sector (Private Loans)is never significant for non-OECD countries. For the OECD countries, we find that this variable is marginally significant in one model. In the third model of Panel B (that with the largest sample size), the data confirm the expected result that nations with a smaller private banking sector are more likely to reduce government control of capital allocation by privatizing SOBs.

The regressions also support our hypotheses regarding the effect of political variables,but only in the developing (non-OECD) countries. Our primary political variable, democratic accountability (Dem. Account) is positive and significant in the non-OECD regressions. This isconsistent with the hypothesis that greater accountability to the people limits a public official's ability to use a SOB for political

advantage. As a result, a politician finds the privatization of SOBs more acceptable because the associated opportunity cost is lower. The data support this hypothesis in the non-OECD countries (but not in the OECD).

Also, in the non-OECD countries, right-wing governments increase the likelihood of bank privatization by 39%, which is statistically significant. Verbrugge et al. (1999) contend that state-owned banks play a prominent role in a government's planning and control of the economy. Right-wing governments are expected to favor less state involvement in the financial sector. We do not find a similar relation in the OECD countries—the right-wing proxyis insignificant in Panel B. As noted earlier, there are concerns about measurement error with this variable. Specifically, defining and identifying economic ideology across many different governments is inexact. The final columns of Table 6 show that dropping the right-wing variable from our regressions does not alter our results.

In summary, we find significant differences in the factors that affect bank privatization in non-OECD and OECD countries. Political and legal factors as well as the quality of the banking system are important determinants in developing countries. In contrast, political factors do not significantly affect the likelihood of bank privatizations in developed countries.

We perform several additional sensitivity checks and find that our results are robust to several alternative models and variable selections. First, we estimate the same models basedon an extended set of economic and political variables (i.e., additional measures of the size and quality of the banking sector, government ownership of SOBs, political risk, etc.). Generally, we find similar magnitudes and significance levels for all coefficients. Second, we use inflation-adjusted gross national income per capita (GNI, in U.S. dollars), instead of OECD membership, to split the sample into developed and developing countries. Using the same models as before, this affects significance levels in some cases, but changes the magnitude of coefficients by less than one standard deviation. The signs of the coefficients do not change. Third, we use the model split by OECD membership but add GNI as a control variable. This does not affect magnitude or significance of any coefficient. Fourth, we estimate a pooled model where a variable indicating OECD membership is interacted with the explanatory variables. This exercise also leaves our results qualitatively unchanged. Finally, as discussed in Section 3, using lagged explanatory variables does not alter the results either.

Determinants of the time until the first bank privatization

Reports results of duration models measuring determinants of the time until a country's first bank privatization. We provide three specifications of the Cox (1972) duration model that differ in how we treat the difference between

OECD and non-OECD countries.

First, we estimate separate models, but there are only 21 countries in the OECD group and consequently this regression has little power. Second, we estimate a pooled model that explicitly allows different baseline hazards for OECD and non-OECD countries. Third, and probably most reasonable, we use a time-varying OECD variable as a covariate. Since several nations join the OECD after 1982, this variable should capture any difference in the baseline hazard. Moreover, it goes beyond the separate models used in the logistic analysis, because we can directly control for the relationship between OECD membership and the likelihood of bank privatization. We report hazard ratios instead of coefficients because they are easier to interpret. Each ratio measures how much the hazard (i.e., the instantaneous risk of exiting) increases for a unit change in the covariate. Hazard ratios greater (less) than one imply that the covariate increases (decreases) the probability of exit.

We find that countries whose banks have less equity capital and extend more loans to the government, and whose public officials are more accountable to the people privatize state-owned banks faster. For example, Model III shows that the odds ratio associated with the bank equity ratio is 0.06. This suggests that a unit (100%) increase in bank equity ratios reduces the probability of bank privatization (in any given year) by 94%. Similarly, a 10% increase in this ratio would reduce the probability by 9.4%.

In one instance, the duration results appear to point in a different direction than expected: Better capital market development is associated with faster bank privatization. However, there are conflicting forces in the relationship between privatization and capital market development. On one hand (more important in the developing countries), privatizations may be part of a strategy to improve capital markets. On the other hand (more important in developed countries), it is easier to privatize a SOB by selling shares to the public in a country with a well-developed stock market.

Overall, the results are similar across the three specifications of the duration model, except for the OECD-only regression (in Model I) that is based on just 21 cross-sectional observations. The pooled models yield coefficients that are similar to those in the non-OECD model, which may suggest that the OECD-only model fails to show significant results simply because of a lack of power. On the other hand, the OECD-only logistic results are also consistent with the OECD-only duration results. Because the OECD-only logistic results are based on a panel of 276 observations, lack of power does not appear to be the main reason for the absence of political determinants in developed countries. In sum, the duration results are largely consistent with the logistic regressions; this attests to the robustness of both the logistic and the duration models.

Determinants of the scope of SOB Privatization

In addition to examining factors impacting the decision to begin the privatization of state-owned banks, it is also important to identify potential determinants of the scope of each country's SOB privatization. We measure the scope of bank privatizations using the ratio of the country's annual revenue from SOB privatization to GDP. Since this variable is continuous, our analysis uses OLS regression. Involving the same independent variables (including the time fixed effects) as in the logistic models, these regressions test for factors that significantly affect the amount of SOB privatization activity in a particular year.

Overall, the results in Table 8 are consistent with our earlier findings. As before, political variables significantly affect bank privatization decisions only in developing countries. Accountability to voters (Dem. Account) is significant in non-OECD countries (Panel A) but not in the OECD (Panel B). Additionally, as determined previously, economic factors significantly impact SOB privatization policy in both OECD and non-OECD nations. Specifically, the quality of the banking sector is a significant determinant of the extent of SOB privatization in both sets of countries. No other variables are consistently significant across the various specifications of this model. Therefore, while the levels of significance are somewhat lower (perhaps due to less than perfect specification), the overall conclusions from these regressions support the general findings from our earlier analysis. Additionally, the strong consistencies across the various models provide further evidence of the robustness of our results.

V. CONCLUSION

This study examines the economic and political factors that affect whether and when governments decide to privatize a state-owned bank. We are most concerned with bank privatizations in developing (non-OECD) countries, but also compare results to developed (OECD) countries to assess whether the importance of these variables differs across levels of economic development. We expect to find differences because of the greater variation in political and economic characteristics in non-OECD countries.

Using a comprehensive dataset of privatizations in 101 countries from 1982-2000, we find that both economic and political factors significantly influence a government's decision to privatize a state-owned bank (SOB). In developing countries (non-OECD), the most important influences on a government's decision to privatize a SOB relate to political conditions and the quality of the nation's banking sector. Consistent with Clarke and Cull (1997), we find that SOB privatization is more likely when banks are less efficient (are of lower quality). This negative relation between bank quality and the probability of privatization is stronger in the developing countries than in the OECD

countries. The data also suggest that political characteristics are important in determining whether a non-OECD country can (and will) privatize SOBs. Specifically, non-OECD governments that have greater accountability to voters are more likely to privatize a SOB.

In contrast, the political variables never appear as significant determinants of bank privatizations in developed (OECD) countries. Instead, it seems that other types of variables (e.g., economic variables such as banking-sector quality) influence an OECD government's decision to privatize SOBs. These findings are consistent with our assertion that different constraints on privatization are binding in OECD and non-OECD countries. Our results are robust to various estimation methods and alternative specifications of independent variables.

Overall, this study contributes to the growing literature that examines how political and institutional factors affect capital markets and financial decisions.

VI.   REFERENCES

[1] Amengual, M., & Distelhorst, G. (2019). Can sourcing help enforce global labor standards? Evidence from the Gap Inc supply chain. SSRN Electronic Journal.

[2] Armstrong, J. S. 1977. Social irresponsibility in management. Journal of Business Research, 5(3): 185–213.

[3] ArsTecnica. 2020a. Ex-Apple employees say company ignored China labor-law violations. Retrieved 26 April, 2022 from; https://arstechnica.com/gadgets/2020/12/ex-appleemployees-say-company-ignored-china-labor-law-violations/

[4] ArsTecnica. 2020b. Apple supplier Pegatron found using illegal student labor in China. Retrieved 23 October, 2022 from; https://arstechnica.com/gadgets/2020/11/apple-supplierpegatron-found-using-illegal-student-labor-in-china/

[5] Asmussen, C. G., & Fosfuri, A. 2019. Orchestrating corporate social responsibility in the multinational enterprise. Strategic Management Journal, 40(6): 894–916.

[6] Asmussen, C. G., Pedersen, T., & Petersen, B. 2007. How do we capture ''Global Specialization'' when measuring firms' degree of globalization? Management International Review, 47(6): 791–813.

[7] Asmussen, C., Chi, T., & Narula, R. 2022. Quasi-internalization, recombination advantages, and global value chains: Clarifying the role of ownership and control. Journal of International Business Studies, 53(8): 1747–1765.

[8] Bair, J., & Palpacuer, F. 2012. From varieties of capitalism to varieties of activism: The antisweatshop movement in comparative perspective. Social Problems, 59(4): 522–543.

[9] Barrientos, S., Gereffi, G., & Rossi, A. 2011. Economic and social upgrading in global production networks: A new paradigm for a changing world. International Labour Review, 150(3–4): 319–340.

[10] Barth, J., G. Caprio, and R. Levine, 2000, Banking systems around the globe: Do regulation and ownership affect performance and stability? Working Paper, World Bank.

[11] Beck, T., A. Demirguc-Kunt, and R. Levine, 2000, A new database on financial development and structure, World Bank Economic Review 14, 597-605.

[12] Beck, T., G. Clarke, A. Groff, P. Keefer, and P. Walsh, 2001, New tools in comparative political economy: The database of political institutions, World Bank Economic Review 15, 165-176.

[13] Beck, T., R. Levine, and N. Loayza, 2000, Finance and sources of growth, Journal of Financial Economics 58, 261-300.

[14] Bloem, A., and C. Gorter, 2001, The treatment of non-performing loans in macroeconomic statistics, Working Paper, IMF.

[15] Booth, L., V. Aivazian, A. Demiguc-Kunt, and V. Maksimovic, 2001, Capital structure in developing countries, Journal of Finance 56, 87-130.

[16] Bortolotti, B., and P. Pinotti, 2003, The political economy of privatization, Working Paper, FEEM.

[17] Bortolotti, B., M. Fantini, and D. Siniscalco, 2004, Privatization around the world: Evidence from panel data, Journal of Public Economics 88, 305-332.

[18] Caprio, G., and D. Klingebiel, 2000, Bank insolvencies: Cross-country experience, Working Paper, World Bank.

[19] Claessens, S., and S. Djankov, 1998, Politicians and firms in seven Central and Eastern European countries, Working Paper, World Bank.

[20] Clague, C., P. Keefer, S. Knack, and M. Olson, 1996, Property and contract rights in autocracies and democracies, Journal of Economic Growth 1, 243-276.

[21] Clarke, G., and R. Cull, 1997, The political economy of privatization: An empirical analysis of bank privatization in Argentina, Working Paper, World Bank.

[22] Clarke, G., and R. Cull, 2000, Bank privatization in Argentina: A model of political constraints and different outcomes, Working Paper, World Bank.

[23] Clarke, G., and R. Cull, 2002, Political and economic determinants of the likelihood of privatizing Argentine public banks, Journal of Law and Economics 45, 165-197.

[24] Cox, D. R., 1972, Regression models and life-tables, Journal of the Royal Statistical Society 34, 187–220.

[25] Dado, M., and D. Klingbiel, 2002, Decentralized creditor-led corporate restructuring: Cross- country evidence, Working Paper, World Bank.

[26] Demirguc-Kunt, A., and H. Huizinga, 2000, Financial structure and bank profitability, Working Paper, World Bank.

[27] Demirguc-Kunt, A., and V. Maksimovic, 1999, Institutions, financial markets, and firm debt maturity, Journal of Financial Economics 54, 295-336.

[28] Denis, D., and J. McConnell, 2003, International corporate governance, Journal of Financial and Quantitative Analysis 38, 1-36.

[29] Djankov, S., and P. Murrell, 2002, Enterprise restructuring in transition: A quantitative survey, Journal of Economic Literature 40, 739-792.

[30] Dyck, A., and L. Zingales, 2004, Private benefits of control: An international comparison, Journal of Finance 59, 537-600.

[31] Keefer, P., 2001, When do special interests run rampant? Disentangling the role of elections, incomplete information and checks and balances, Working Paper, World Bank.

[32] Knack, S., and P. Keefer, 1995, Institutions and economic performance: Cross-country tests using alternative institutional measures, Economics and Politics 7, 207-227.

[33] LaPorta, R., F. Lopez-de-Silanes, and A. Shliefer, 2002, Government ownership of banks, Journal of Finance 57, 265-301.

[34] McLindon, M., 1996, Privatization and Capital Market Development: Strategies to Promote Economic Growth, Praeger Publishers, Westport, CT.

[35] Megginson, W., 2004, The economics of bank privatization, Working Paper, University of Oklahoma.

[36] Megginson, W., and J. Netter, 2001, From state to market: A survey of empirical studies on privatization, Journal of Economic Literature 39, 321-389.

[37] Megginson, W., R. Nash, and M. Van Randenborgh, 1994, The financial and operating performance of newly-privatized firms: An international empirical analysis, Journal of Finance 49, 403-452.

[38] Megginson, W., R. Nash, J. Netter, and A. Poulsen, 2004, The choice of private versus public markets: Evidence from privatizations, Journal of Finance, forthcoming.

[39] Perotti, E., and P. Oijen, 2001, Privatization, stock market development, and political risk, Journal of International Money and Finance 20, 43-69.

[40] Rajan, R., and L. Zingales, 1998, Financial dependence and growth, American Economic Review 88, 559-586.

[41] Rousseau, P., and P. Wachtel, 2000, Equity markets and growth: Cross-country evidence on timing and outcomes, 1980-1995, Journal of Banking and Finance 24, 1933-1957.

[42] Shapiro, C., and R. Willig, 1990, Economic rationales for the scope of privatization, in The Political Economy of Public Sector Reform and Privatization.

[43] Shleifer, A., and R. Vishny, 1994, Politicians and firms, Quarterly Journal of Economics 109, 995-1025.

[44] Skilton, P. F., & Robinson, J. L. 2009. Traceability and normal accident theory: How does supply network complexity influence the traceability of adverse events? Journal of Supply Chain Management, 45: 40–53.

[45] Strange, R., & Humphrey, J. 2019. What lies between market and hierarchy? Insights from internalization theory and global value chain theory. Journal of International Business Studies, 50(8): 1401–1413.

[46] Stringer, C., & Michailova, S. 2018. Why modern slavery thrives in multinational corporations' global value chains. Multinational Business Review, 26(3): 194–206.

[47] Stringer, C., Hughes, S., Whittaker, D. H., Haworth, N., & Simmons, G. 2016. Labour standards and regulation in global value chains: The case of the New Zealand fishing industry. Environment and Planning a: Economy and Space, 48(10): 1910–1927.

[48] Sturgeon, T., Van Biesebroeck, J., & Gereffi, G. 2008. Value chains, networks and clusters: reframing the global automotive industry. Journal of Economic Geography, 8(3): 297–321.

[49] Subrahmanyam, A., and S. Titman, 1999, The going public decision and the development of financial markets, Journal of Finance 54, 1045-1082.

[50] Svensson, J., 1998, Investment, property rights, and political instability: Theory and evidence, European Economic Review 42, 1317-1341.

[51] Verbrugge, J., W. Megginson, and W. Owens, 1999, State ownership and the financial performance of privatized banks: An empirical analysis, Working Paper, University of Georgia.

[52] Wettstein, F., Giuliani, E., Santangelo, G. D., & Stahl, G. K. 2019. International business and human rights: A research agenda. Journal of World Business, 54(1): 54–65

[53] World Bank, 1995, Bureaucrats in Business: The Economics and Politics of Government Ownership, Oxford University Press, Oxford.