

ISSN 1023-2842

中山管理評論 2014年三月號

第二十二卷第一期 p.11-53

DOI: 10.6160/2014.03.01

民營化對聯貸條件的影響

The Impact of Privatization on Loan Conditions

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摘要

本文使用 1993 年至 2007 年間 67 家實施部分及完全民營化公司為樣本，探討國營企業民營化後對聯貸條件之影響。實證結果顯示，民營化後若政府沒有控制權，則聯貸利差擴大，若完全民營化則會被銀行要求提供擔保品，此外，借款公司的信用風險比較會透過聯貸利差及相關費用反映出來，比較不會透過聯貸金額或到期日等條件反映。這些實證結果與本文假說一致，顯示政府保證效果在民營化過程中對於銀行借款是一項重要因素。

關鍵詞：民營化、政府股權、聯合貸款、聯貸費用

JEL 分類：G21, G32

Abstract

Using a sample of 67 partially and fully privatized firms, this paper investigates the effect of privatization on loan conditions from 1993 to 2007. The empirical results show that loan spreads widen when governments have no control right after privatization. In addition, loans are more likely to be secured when firms are fully privatized. The empirical results also show that credit risk of borrowing companies is more likely reflected through price terms conditions but not through non-price term conditions. These results are consistent with the hypothesis that implicit government guarantee is an important factor for bank loans during the privatization process.

Keywords: privatization, government ownership, syndicated loan, fee

JEL classification: G21, G32

1. INTRODUCTION

Privatization has been a well established method of ownership transfer by the government for state-owned enterprises (SOEs) to the private sector after the very first successful case by the British government back in 1979. As of the end of year 2012¹, privatization has taken place in 23 developed countries and 130 developing countries, mostly for its significant characteristic of improving profitability and operation efficiency as discussed in previous literature. However, the decreasing government guarantee as a result of privatization may simultaneously increase the default risk of privatized firms and hence results in an increase in cost of debt. For example, on April 1 2013, Jean-Cyril Spinetta, the CEO of Air France-KLM, argued that airlines in European Unions would face the threat of competition if the restrictions on Gulf airlines flying into European airspace were removed. Gulf airlines, Etihad, Dubai's Emirates, and Qatar Airways rapidly expand their long haul tour and compete with European airlines in recent years. Their rival European airlines criticized that the government-owned airlines have lower financing costs and enjoy subsidies paid by the government.

The existing literature on financing costs for privatized firms mainly focus on the changes in bond spreads following privatizations (Faccio et al., 2006; Borisova & Megginson, 2011; Borisova et al., 2012). For example, Borisova & Megginson (2011) find that government ownership has a non-linear relationship with bond spread. Fully privatized firms have lower spreads while partially privatized firms have higher credit spreads. They argue that credit spreads are higher due to decreasing government guarantee in the privatization process. Previous literature suggests that government guarantee is associated with government ownership, especially for the government-owned companies with poor operating performance and high leverage. Borisova et al. (2012) find that higher government ownership results in higher cost of debt, which on the other hand is lower in the period of economic recession or firm distress when the effects of implicit government

¹ Privatization data are collected from Privatization Barometer and the World Bank Privatization Databases.

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guarantee and default risk are stronger.

Bank loan is one of the major financing sources for firms and this enable banks in accessing more information about firms than other lenders (Dass & Massa, 2011), and information asymmetry is also reflected by syndicated loan conditions (Sufi, 2007). Rajan & Winton (1995) document that bank directly monitor borrowing companies through the loan conditions to improve the information transparency of borrowing companies and it also avoid borrowing companies to investing in high risk investment plans, especially for those companies with low information transparency. Moreover, Ahn & Choi (2009) find that the degree of improvement in corporate governance has a positive relationship with bank monitoring effect, especially for firms with heavy reliance on bank loans. Roberts & Sufi (2009) find that 75% of syndicated loans are renegotiated prior to the stated maturity and rarely end up with distress or default. They show that most renegotiation contains maturity, loans, and spreads based on the information about credit quality, investment opportunities, and collaterals. Finally, Berg et al. (2012) suggest that the fees in syndicated loans are important because fee payments are higher than interest payments for some loans and their empirical results show that relationship lending often charges lower fees.

This paper aims to investigate whether the syndicated loan conditions change significantly after privatizations. Previous literature on impact of privatizations focuses on the changes of bond spread and cost of equity and bank loan should be investigated since it is also a major financing source for firms. Thus this paper could serve to fill the gap in literature on the relationship between government ownership and financing costs for privatized firms. In order to investigate the effect of load conditions by credit risk, we adopted the methodology of Berg et al. (2012) by re-categorizing loan conditions into different price terms (e.g., AISD, AISU, spreads, commitment fee, and facility fee) and non-price terms (e.g., loan amount, maturity, secured, structure of syndicated loan). In this study, we examine 67 partially and fully privatized firms, which include 138 observations of privatization programs from 1993 to 2007 and 678 observations of syndicated loans from 1980 to 2010. There are 374 observations and 304 observations of loans before and after the initial privatization respectively. By excluding the requirement of collaterals,

the empirical results show that credit risk of borrowers is reflected more on price terms of loan conditions but less on non-price conditions. We also find that there is an opposite effect which there is negative and positive effect for companies with and without control right of government ownership after privatizations respectively resulting in the insignificant results in price terms conditions. Lower spread and lower fees are associated with strong implicit government guarantee when borrowing companies retain government ownership after privatizations. On the other hand, we also find that banks would increase spreads and fees to reflect an increase in credit risk of borrowing companies due to weaker implicit government guarantee. Thus, the results in this paper support the implicit government guarantee effect after privatization in the syndicated loan market.

The rest of the paper is organized as follows. Section 2 presents the literature reviews. Section 3 describes the data and methodology. Section 4 provides empirical results and Section 5 concludes.

2. LITERATURE REVIEWS AND HYPOTHESES

2.1 The Impact of Privatization on the Cost of Debt

There is a large body of literature focuses on the impact of privatization on stock prices and operating performance for privatized firms, but the results on the issue of whether privatization affect the funding costs for privatized firms are sparse. Using data from 38 countries between 1987 and 2006, Ben-Nasr et al. (2012) find that government ownership decreases approximately 10% on average after privatization, and governments tend not to release their control rights in the year of privatization. They also find that the cost of equity increases dramatically as government ownership decreases in the year of privatization. Faccio et al. (2006) find that companies obtain more government support if they have good political relationship. Brown & Dinc (2005) find that state-owned banks have lower default

risk before privatization, but their profitability declines after privatization because of higher moral hazard due to implicit government guarantee (Borisova & Megginson, 2011; Borisova et al., 2012).

Borisova & Megginson (2011) investigate the impact of privatization on credit spread of bonds by using partially and fully privatized firms in Europe from 2001 to 2009. They find that the relationship between government ownership and bond spreads is non-linear. On average, the credit spreads increase 0.75% when government ownership decreases 1%, but the credit spreads of fully privatized firms are lower than those of partially privatized firms. Their empirical results also suggest that lower credit spreads are associated with the speed of privatizations. Borisova et al. (2012) find that higher government ownership leads to lower credit spread during financial crisis period, while higher government ownership leads to higher credit spreads in normal period. Their empirical results suggest that the implicit government guarantee leads to lower cost of debt only in the period of economic recession. Borisova et al. (2012) show that the shares held by central and domestic governments are associated with lower credit spread, while shares held by sovereign wealth funds and foreign government are associated with higher credit spreads.

2.2 Literature on Syndicated loan

We examine the impact of privatization on syndicated loan conditions since bank loan is one of major financing sources for companies. Prior research documents that banks have private information about borrowing companies that bondholders do not have (Dass & Massa, 2011). Thus, the information asymmetry between banks and borrowing companies is minor than that between bondholders and borrowing companies. Literature also shows that the firms with higher information transparency have lower ex ante information risk so they often have better loan conditions (Diamond & Verrecchia, 1991; Baiman & Verrecchia, 1996). Roberts & Sufi (2009) find that lenders have the right to increase loan maturity and terminate the unused revolving credit facilities in times of technical default. Berg et

al. (2012) document that 80% of U.S. syndicated loans contain more than one type of fees, and the amount of fee payments is larger than interest payments in some loans.

Previous literature shows that higher information asymmetry and moral hazard result in less favorable loan conditions (Diamond, 1984). Sufi (2007) suggests that information asymmetry also affects the lender structure of syndicated loans (e.g., structure of lead and participant banks, and lead bank shares). Focarellia et al. (2008) find that lead banks increase their shares to reduce the agency problem for borrowers with higher information asymmetry. Both loan conditions and structure of syndicate reflect operations, credit risk, and degree of information trenchancy of borrowing companies. This paper investigates the impact of privatization on syndicated loan conditions. Loan contract terms are used to compare the changes in loan conditions before and after privatizations.

2.3 Hypotheses

Borisova & Megginson (2011) show that there is a non-linear relation between government ownership and the cost of bond yields. Borisova et al. (2012) also find that lower cost of debt is associated with a reduction in default risk through increasing implicit government guarantee in the period of economic recession. This implies that implicit government guarantee is stronger in the period of economic recession, but lower government ownership promotes operating performance in the normal period.

Privatizations not only enhance operation efficiency but also decrease the government guarantee. Thus, what the actual impacts of privatizations and how privatizations affect operation efficiency and the government guarantee are empirical question. The main hypothesis of this paper is that the price and non-price terms of loan conditions deteriorate due to less implicit government guarantee when governments release their control right for privatized firms after privatization.

Lower government ownership means weaker implicit government guarantee.

The credit risk for privatized firms will increase if the government release control right after privatization; therefore, loan conditions are expected to be higher and privatized firms is expected to provide collaterals.

3. DATA AND METHODOLOGY

3.1 Data and Sample Selection

We compile our sample from 1980 to 2010 using privatization and Dealogic databases. Our sample consists of firms with initial privatization over 1993-2007 and with syndicated loans both before and after the initial privatization.

Privatized data is obtained from Privatization Barometer database and the World Bank Privatization database. Privatization Barometer database provides the information on European state-owned firms from 1977 to 2011. The World Bank Privatization database provides the information on privatized state-owned enterprises in developing countries from 1980 to 2010. We also obtain the information of undisclosed privatized programs from both annual reports of sample firms and SDC Merger and Acquisition Database. Syndicated loan data are obtained from Dealogic database which contains large portions of loans for borrowing companies in Europe and in developing countries. Percentage of shares held by government is an important variable in this paper. We hand-collected this data from several data sources, which include Privatization Barometer database, SDC Merger and Acquisition Database, Datastream, Worldscope Bankscope and OSIRIS, and various firms' annual reports and websites. Accounting data are mainly obtained from OSIRIS and COMPUSTAT Global Vantage databases. Countries are classified by the World Bank definition according to the level of development.

Our initial sample contains 67 partially and fully privatized firms, which include 138 observations of privatization programs and 720 observations of syndicated loans. We winsorize the top and the bottom 1% observations according

to loan amount or loan spreads. We also exclude 3 observations with incomplete government ownership data after privatizations. The final sample consists of 67 partially and fully privatized firms, which include 138 observations of privatization programs and 678 observations of syndicated loans.

We obtain both loan conditions before and after privatizations. Borisova & Megginson (2011) compile a sample of 1,651 observations of credit spreads of bonds issued by 60 privatized firms over 2001 to 2009. Moreover, their sample firms must have at least one privatization in the period and are represented in Privatization Barometer database. Our sample contains syndicated loans both before and after the privatization. The number of sample firms in this paper is comparable to the number of sample firms in Borisova & Megginson (2011).

3.2 Methodology

Following Berg et al. (2012), we define all-in-spread-drawn (AISD) as the sum of spread and facility fee, measured as lending costs of drawn. All-in-spread-undrawn (AISU) is defined as the sum of facility fee and commitment fee, measured as lending costs of undrawn. Moreover, facility fee and commitment fee are paid for revolving credit facilities, unlike the usual payments for term loan.

In order to investigate the impact of privatizations on loan conditions, we follow Borisova & Megginson (2011) using a multivariate regression framework:

$$Loan_{i,t} = \alpha + \beta_1 Govt50_{i,t} + \beta_2 LoanControl_{i,t} + \gamma X_{i,t-1} + \delta Year_t + \varepsilon \quad (1)$$

$$Loan_{i,t} = \alpha + \beta_1 Govthold_{i,t} + \beta_2 (Govthold_{i,t})^2 + \beta_3 LoanControl_{i,t} + \gamma X_{i,t-1} + \delta Year_t + \varepsilon \quad (2)$$

where *Loan* denotes the loan conditions, including price terms and non-price terms. Price terms contains AISD, AISU, spread, and commitment fee. Non-price terms include loan amount and maturity². *Govt50* is a dummy variable, taking a value of

² We also use other non-price terms, *Number of lead banks* and *Number of participants*, as dependent variables; however the results of main exogenous variables, *Govt50*, *Govthold*, and *Govthold*², are insignificant. In other words, government ownership does not have

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one if the percentage of government ownership is higher than 50%³ after the initial privatization and zero otherwise. *Govthold* is defined as shares held by central government, local government, and agencies of government (e.g., Ministry of Finance and Ministry of Economic Affairs) divided by total capital. $(Govthold)^2$ is the square of government ownership. Prior literature defines government ownership as common shares held by government divided by outstanding shares. There are three reasons which we use this definition. First, some data sources only provide basic ownership information. For instance, a lot of annual reports only disclosed the value of shares held by shareholders divided by total shares, but they did not disclose the value of common shares held by shareholders divided by common shares. Second, privatized firms are from various countries and some governments use different methods to hold shares of government-owned enterprises. For example, government typically holds both common shares and preferred shares with special rights. Some governments hold only one preferred shares (e.g., golden share) with special rights after full privatization. Common shares, preferred share, or both are sold by government during privatized process. For instance, shares or assets of privatized firms could be sold privately to specific buyers. *LoanControl* denotes the set of control variables of syndicated loans, including loan types, number of syndicate lenders, and number of participants. *X* is other control variables, including privatized variables, firm character factors,

significant relation with *Number of lead banks* and *Number of participants*.

³ We define the government have control right if more than 50% of shares held by government according to few literature's definitions. For instance, defined by Megginson et al. (1994), D'Souza & Megginson (1999), and D'Souza et al. (2007), the government releases control of operations if less than 50% of shares held by government. Bortolotti & Faccio (2009) document that government have control right if controlling shareholders which percentage of shares held is more than 10% are central government, local government, or other government agencies. Otherwise, the government do not have control right. Both Borisova & Megginson (2011) and Borisova et al. (2012) do not explicitly define the control right of government, they only observe whether the government hold golden share. However, considering the definitions provided by Bortolotti & Faccio (2009) and other literature on ownership (La Porta et al., 1999; La Porta et al., 2002), shareholder has control right if ownership is more than 10% or 20% depending on the share diversification. We find that there are insignificant difference in classifications of 10%, 15%, 20%, and 25%; therefore, the definition which the government have control right if more than 50% of shares held by government is used in this paper.

industry factors, and country level variables. Other privatized variables cover immediate privatization and times of privatizations. Firm character factors include *Size*, *ROE*, *Leverage ratio* and *interest coverage*. Industry factor is *Bank*, which takes a value of one if the sector of privatized firms is bank sector, and zero otherwise. Country level variables is the development of countries defined as dummy variable that takes the value of one if privatized firms are in developing countries, and zero otherwise. *Year* denotes year fixed effect. The detailed definitions are summarized in Table 1.

Table 1 The Definitions of Variable

Variable	Definition
Govt50	Takes a value of one if percentage of capital of the company owned by the government is higher than 50% after the initial privatization and zero otherwise
Govthold	Percentage of capital of the company owned by the central government, local government, government departments, and government agencies
Private_yr	A dummy variable that the value is one if the credit year is the year of privatization year, and zero otherwise
npriv	Times of privatizations
Immediate privatization	A dummy variable that the value is one if the company was fully privatized in one transaction
Partially privatized	A dummy variable that the value is one if the company has government ownership after the initial privatization, and zero otherwise
Before the initial privatization	Takes a value of one if the year is before the initial privatization of the company, and zero otherwise
After the last privatization	Takes a value of one if the year is after the last privatization of the company, and zero otherwise
AI SD	All-in-spread-drawn (AISD) defined by Berg et al. (2012) is sum of spread and facility fee
AISU	All-in-spread-undrawn (AISU) defined by Berg et al. (2012) is sum of facility fee and commitment fee
Spread	All-in-pricing of the syndicated loan shown in basis

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Variable	Definition
Commitment fee	point It is a fee paid on the unused amount of loan commitments
Facility fee	It is a fee paid on the entire amount of loan commitments
Loan amount	Total deal amount of syndicated loan shown in millions of dollars
Ln(Loan amount)	The natural log of total deal amount of syndicated loan
Maturity	Years of maturity of the syndicated loan
Secured	Takes a value of one if the company is requested by banks to provide a collateral for the syndicated loan, and zero otherwise
Sole Lender	A dummy variable that the value is one if number of lenders for the syndicated loan is one, and zero otherwise
# of syndicate lenders	Number of lenders for the syndicated loan
# of lead banks	Number of arrangers (lead banks) of the syndicated loan
# of participants	Number of participants (participant banks) of the syndicated loan
Loan Type -Highly Leveraged	A dummy variable that the value is one if the tranche type is highly leveraged, and zero otherwise
Loan Type - Leveraged	A dummy variable that the value is one if the tranche type is leveraged, and zero otherwise
Developing countries	A dummy variable that the value is one if privatized firms are in developing countries, and otherwise.
Bank	Takes a value of one if the sector of privatized firms is bank sector, and zero otherwise
Size	The natural log of total assets
ROE	Pre-tax profits / Shareholder equity
Leverage	(Total assets – Shareholder equity) / Shareholder equity
Interest coverage	Earnings after tax / Interest expenses

Privatization variables are obtained from Privatization Barometer, The World Bank Privatization Database, firms' annual reports, and SDC Merger and Acquisition Database. Syndicated loan variable are from Dealogic database. Government ownership data are collected from several data sources, including Datastream, Worldscope, Bankscope, OSIRIS, and companies' annual reports. Financial data are mainly from OSIRIS and some are from COMPUSTAT Global Vantage database. The level of economic development of countries is classified by the definition of World Bank.

4. EMPIRICAL RESULTS

4.1 Summary Statistics

Table 2 presents the annual distributions of privatization programs and syndicated loans. Panels A and B show the distributions of privatization programs and syndicated loans. The sample contains 67 privatized firms, which include 15 banks and 52 non-banks, as shown in Table 2. There are 138 observations of privatization programs and 678 observations of syndicated loans contributed by 67 privatized firms. Panel A shows that many privatization programs are initiated in 1990s, especially in 1997 and 1999. Moreover, the largest number of deals is in France (17 privatized deals). Panel B shows that the largest number of syndicated loans are initiated in 1990s (274 observations of syndicated loans) and the second largest subsample is those loans came after 2000 (243 observations of syndicated loans). Besides, Indian privatized firms have the largest number of syndicated loans (116 observations of syndicated loans). The second largest and the third largest number of syndicated loans are initiated in Russian Federation and China, each contributes 62 observations and 61 observations of syndicated loans.

In Table 3, we report the percentage of shares held by government in a privatization transaction. Panel A shows the results sorted by the year of privatizations. Privatized firms are separated into developed and developing countries, as shown in Panel B. In Panel A, privatizations seem to concentrate in 1990s (52.17%). Overall, the mean (median) of percentage of shares held by government for sell is 25.89% (20.18%). The mean of percentage of shares held by government for sell is 34.54% in 1993, while the mean of percentage of shares held by government for sell is only 12.89% in 2002.

Panel B shows that there are 74 observations and 64 observations of privatization deals from developed and developing countries, respectively. As for developed countries, France, Finland and Spain are the major three with the largest numbers of privatization deals. While for developing countries, the title comes to Russian Federation. The mean of percentage of shares held by government for sell in developed countries is 26.68%, and it is 1.7% more than the number in developing countries (24.98%).

Table 2 Sample descriptions

Country	Number of Companies		Number of Observations																		
	Total	Nonbanks	Total	Banks	Nonbanks	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	
Argentina	1	1	0	2	2	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0
Belgium	1	0	1	2	0	2	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0
Brazil	6	0	6	8	0	8	0	0	0	1	0	2	0	2	0	2	1	1	0	1	0
China	3	2	1	6	5	1	0	2	3	0	0	0	0	0	0	1	0	0	0	0	0
Colombia	1	0	1	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0
Croatia	3	2	1	8	4	4	1	1	1	0	1	2	0	2	0	0	0	0	0	0	0
Czech Republic	1	0	1	1	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finland	5	0	5	12	0	12	2	0	2	2	0	2	0	0	0	0	1	2	1	0	0
France	7	0	7	17	0	17	1	1	2	2	0	1	0	1	3	1	0	2	0	0	0
Ghana	1	0	1	3	0	3	0	0	0	0	0	0	0	0	0	0	1	1	1	0	0
Greece	2	0	2	4	0	4	0	0	0	1	1	1	0	1	0	0	0	0	0	0	0
Hungary	1	0	1	8	0	8	0	3	0	3	0	0	0	0	1	1	0	0	0	0	0
India	6	3	3	7	3	4	0	0	1	0	0	0	0	0	0	2	0	2	2	0	0
Indonesia	2	1	1	6	4	2	0	0	1	1	2	0	0	2	0	0	0	0	0	0	0
Italy	3	0	3	9	0	9	0	0	0	0	1	1	1	1	1	1	2	1	1	0	0
Kazakhstan	1	1	0	1	1	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0
Pakistan	1	0	1	1	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Philippines	2	0	2	3	0	3	1	0	0	0	0	0	0	0	0	0	0	0	2	0	0

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France	8	0	8	59	0	59	26	21	12
Ghana	1	0	1	8	0	8	3	5	0
Greece	2	0	2	30	0	30	2	11	17
Hungary	1	0	1	15	0	15	7	8	0
India	6	3	3	116	35	81	32	65	19
Indonesia	2	1	1	12	4	8	6	6	0
Italy	3	0	3	32	0	32	7	2	23
Kazakhstan	1	1	0	10	10	0	8	2	0
Pakistan	1	0	1	2	0	2	1	1	0
Philippines	2	0	2	18	0	18	8	7	3
Poland	1	1	0	6	6	0	0	2	4
Portugal	1	0	1	7	0	7	1	3	3
Romania	1	1	0	6	6	0	4	2	0
Russian Federation	6	1	5	62	5	57	52	10	0
Slovak Republic	1	0	1	8	0	8	2	6	0
Slovenia	1	1	0	8	8	0	7	1	0
Spain	4	0	4	28	0	28	12	10	6
Thailand	2	1	1	25	18	7	0	19	6
United Kingdom	2	0	2	7	0	7	3	4	0
Total	67	15	52	678	158	520	243	274	161

This table documents the distributions of privatizations and syndicated loan in our sample by year. Panel A and Panel B represent the distribution of privatizations and distribution of syndicated loan respectively. Syndicated loan data are collected from Dealogic database for privatized firms listed mainly in the Privatization Barometer and the World Bank database. Syndicated loan data cover the period 1980 – 2010 and privatization programs cover the period 1994 – 2007. Only one privatization event in 1993 collected from SDC M&A database is Gazprom which is energy sector and is located in Russian Federation.

Table 3 Distribution of Privatizations

Panel A: by year

Year	Number of Observations	Percentage of government holding for sale	
		Mean	Median
1993	1	15	15
1994	11	28.3273	29
1995	14	32.3214	23.8
1996	8	18.34	13.655
1997	13	34.54	34.31
1998	9	21.63	17.83
1999	16	26.5563	24
2000	8	33.305	27
2001	7	23.4	25
2002	8	12.8875	11.6
2003	5	28.938	25
2004	9	30.7322	17.86
2005	11	24.0336	10.5
2006	9	24.2211	16.7
2007	9	15.7222	6.95
Total	138	25.8905	20.175

Panel B: by development of country

Country	Number of Observations	Percentage of government holding for sale	
		Mean	Median
Belgium	2	43.5	43.5
Czech Republic	1	7	7
Finland	12	24.8292	15.5
France	17	25.2494	17.5
Greece	4	17.2475	15.395
Hungary	8	28.6325	10.865
Italy	9	22.9378	17.6
Portugal	4	22.59	25.3
Slovak Republic	3	28.6667	27

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Country	Number of Observations	Percentage of government holding for sale	
		Mean	Median
Slovenia	1	48.1002	48.1002
Spain	11	24.4509	25
United Kingdom	2	77.55	77.55
Developed countries	74	26.6784	18.305
Argentina	2	25.5	25.5
Brazil	8	38.4975	38.615
China	6	16.0367	14.17
Colombia	1	24	24
Croatia	8	29.255	25
Ghana	3	11.7333	10.2
India	7	15.5543	10.5
Indonesia	6	18.5583	14.18
Kazakhstan	1	33.3	33.3
Pakistan	1	73	73
Philippines	3	22.1333	20
Poland	1	30	30
Romania	2	34.94	34.94
Russian Federation	13	24.7877	24.84
Thailand	2	17.6	17.6
Developing countries	64	24.9795	23.35

This table shows the mean and median percentage of government holding for sale in a privatization deal. Panel A represents it by year and Panel B represents it depending on level of development of countries for private companies. Syndicated loan data are collected from Dealogic database for privatized firms listed mainly in the Privatization Barometer and the World Bank database. Syndicated loan data cover the period 1980 – 2010 and privatization programs cover the period 1994 – 2007. Only one privatization event in 1993 collected from SDC M&A database is Gazprom which is energy sector and is located in Russian Federation. The level of economic development of countries is classified by the definition of World Bank.

Table 4 documents summary statistics of government ownership and syndicate loan variables. Panels A and B present the summary statistics of price terms and non-price terms respectively. Panel C shows the summary statistics of the percentage of shares held by government and Panel D shows the summary statistics of other variables. Table 4 reports that term loans is the major type of syndicated loans in our sample and borrowing companies often do not pay facility fee and commitment fee. For example, in Panel A, the mean (median) of facility fee and commitment fee are only 6.83 basis points (0 basis point) and 1.21 basis points (0 basis point), respectively. Moreover, the mean of AISD and spread are 142.39 basis points and 141.19 basis points, and both median of them are 70 basis points. AISD is mainly contributed by spreads in our sample, so there is only a small difference between AISD and spread.

Table 4 also shows that most of syndicate loans are participated by more than one lender. Panel B shows that the mean and median of sole lender loans are only 0.4 and 0 respectively. On average, the funding of syndicated loan of privatized firms is consisted of 3.84% from its lead banks, 12.13% from its participant banks, and 15.97% from other type of lenders.

Panel C demonstrates that the average weight of government ownership for the whole sample is 60.57%. There are 365 observations (approximately 64.60%) in which government holds more than 50% of shares. Besides, the mean and median percentage of this group are 85.03% and 95.95% respectively. More than 30% of the 365 observations are coming from post-privatizations period. On the contrary, there are 200 observations where government ownership is less than 50%, and more than 90% of them are coming from post-privatizations period.

Table 4 Summary statistics for government ownership and syndicated loan conditions

Variable	Unit	N	Mean	Median	Std. Dev.	Max	Min
<i>Panel A: Price terms of syndicated loan conditions</i>							
AISD	Basis points	678	142.39	70	166.52	875.00	8.10
AISU	Basis points	678	8.04	0	22.81	325.00	0.00
Spread (All-in-pricing)	Basis points	678	141.19	70	164.69	875.00	8.10
Commitment fee	Basis points	678	6.83	0	18.27	212.50	0.00
Facility fee	Basis points	678	1.21	0	11.08	165.00	0.00
<i>Panel B: Non-price terms of syndicated loan conditions</i>							
Loan amount	USD million	678	415.60	126	1,028.07	10,910.41	5.40
Maturity	Years	678	5.08	5	3.72	23.50	0.00
Secured	Y=1; N=0	678	0.21	0	0.41	1.00	0.00
Sole Lender	Y=1; N=0	678	0.04	0	0.19	1.00	0.00
# of syndicate lenders	Number	678	15.97	12	13.28	72.00	1.00
# of lead banks	Number	678	3.84	1	5.17	36.00	0.00
# of participant	Number	678	12.13	10	10.43	64.00	0.00
<i>Panel C: Government ownership</i>							
Govt ownership	Percentage	565	60.57	70.70	37.24	100.00	0.00
Govt ownership > 0%	Percentage	488	70.13	81.00	30.57	100.00	0.30
Govt ownership >= 25%	Percentage	433	77.38	82.03	24.10	100.00	25.00
Govt ownership >= 50%	Percentage	365	85.03	95.95	17.52	100.00	50.00
<i>Panel D: Other variables</i>							
Immediate privatization	Y=1; N=0	678	0.50	1	0.50	1.00	0.00
Bank	Y=1; N=0	678	0.23	0	0.42	1.00	0.00
Developing countries	Y=1; N=0	678	0.66	1	0.47	1.00	0.00

This table represents the summary statistics for government ownership and syndicated loan conditions from 1980-2010. Panel A and Panel B show the price terms and non-price terms of syndicated loan conditions respectively. Panel C is levels of government ownership. Panel D is other related variables. Syndicated loan data are collected from Dealogic database for privatized firms listed mainly in the Privatization Barometer and the World Bank database. Government ownership data are collected from several data sources, including Datastream, Worldscope, Bankscope, OSIRIS, and companies' annual reports. Both loan amount and loan spread in the top and bottom 1% of all observations are dropped. Variable definitions are provided in Table 1.

Table 5 demonstrates the annual mean value of both price terms and non-price terms of syndicated loan conditions. Column 3th-7th are results for price terms, and column 8th-14th are results for non-price terms. In Table 5, AISU fluctuates but it seems to decrease slightly over the years. For instance, AISU is 21.74 basis points in 1981 and less than 5 basis points after 2005, excluding the period of financial crisis in 2008. Maturity also seems to be shorter over the years since 1994, where the average of maturity is less than 5 years. In the same periods, loan amount increase gradually and the average amount is more than 220 million dollars after 1998. The average loan amount in 2005, 2007, and 2010 are more than 1.3 billion. Number of lead banks, number of participants, and number of syndicate lenders also increase in the sample period. This trend of loan structure may be associated with the larger loan amount in the recent years because banks have to reduce their liquidity risks. Both AISD and spread tend to fluctuate as compared with other loan conditions in the sample period.

4.2 Changes in Loan Conditions following privatizations

In this section, the changes on price terms and non-price terms of loan conditions following privatizations are discussed. Table 6 displays the difference in mean tests for price terms and non-price terms. Panel A is the result of whole sample. Panel B and Panel C are the results of developed and developing countries, respectively.

In Panel A, for the price terms, only facility fee has a significant increase after privatizations, by 1.95 basis points at 5% significance. Maturity decreases by 2.24 years while both loan amount and secured dummy rise significantly by 539.70 million and by 0.08 respectively. Number of participants has no significant rise after privatization; however, both the number of lead banks and the number of syndicate lenders significantly increase by 4.37 and 5.44 respectively.

There are similar results in Panel B and C. It is observed that the results in Panel A are mainly contributed by the loans in developing countries. For example, facility fee increases significantly by 2.83 basis points after privatizations in developing countries, while it only decreases insignificantly by 0.1 basis points in developed countries.

Table 5 Price terms and Non-price terms of syndicated loan conditions, 1980-2010

Year	N	AISD Basis points	AISU Basis points	Spread (All-in-pricing) Basis points	Commitment fee Basis points	Facility fee Basis points	Loan amount USD million	Maturity Secured Years	Y=1; N=0	Sole Lender Y=1; N=0	# of syndicate lenders		# of lead banks		# of participants
											Number	Number	Number	Number	
1980	24	83.14	15.10	83.14	15.10	0.00	167.03	7.38	0.17	0.00	7.71	0.46	7.25		
1981	23	141.67	21.74	141.67	21.74	0.00	109.02	7.35	0.04	0.00	9.70	0.35	9.35		
1982	21	98.91	11.01	98.91	11.01	0.00	115.21	8.52	0.05	0.00	17.95	0.38	17.57		
1983	7	84.91	19.64	84.91	19.64	0.00	139.74	7.30	0.14	0.00	19.14	0.43	18.71		
1984	12	173.31	6.25	173.31	6.25	0.00	91.73	7.83	0.00	0.00	14.75	1.67	13.08		
1985	16	161.58	7.34	158.14	3.91	3.44	225.37	8.00	0.00	0.00	14.13	0.94	13.19		
1986	18	239.09	2.22	238.26	1.39	0.83	122.24	6.25	0.11	0.06	11.61	0.72	10.89		
1987	13	258.79	4.38	258.25	3.85	0.54	121.30	8.24	0.23	0.08	10.00	0.69	9.31		
1988	12	302.70	0.00	302.70	0.00	0.00	109.43	10.10	0.17	0.00	14.50	1.00	13.50		
1989	15	125.25	6.17	123.58	4.50	1.67	226.21	8.17	0.27	0.07	17.73	1.80	15.93		
1990	9	124.78	2.64	124.78	2.64	0.00	384.39	7.08	0.11	0.11	17.67	1.89	15.78		
1991	11	81.91	2.27	81.91	2.27	0.00	75.57	6.17	0.09	0.18	6.27	1.00	5.27		
1992	17	148.49	4.26	148.49	4.26	0.00	94.61	5.90	0.24	0.00	11.71	1.29	10.41		
1993	25	121.78	3.50	121.78	3.50	0.00	111.42	6.33	0.16	0.00	11.36	2.12	9.24		
1994	31	91.11	5.36	90.91	5.16	0.20	190.44	4.55	0.23	0.19	11.94	1.81	10.13		
1995	31	96.64	9.88	96.64	9.88	0.00	146.91	4.85	0.16	0.13	11.87	2.35	9.52		
1996	43	76.52	4.61	76.52	4.61	0.00	167.54	3.89	0.09	0.09	16.88	4.28	12.60		
1997	60	96.14	6.77	95.89	6.52	0.25	319.91	4.23	0.35	0.00	16.55	2.35	14.20		
1998	28	180.24	7.28	180.24	7.28	0.00	226.81	3.42	0.21	0.07	15.54	3.86	11.68		
1999	19	234.65	0.66	234.65	0.66	0.00	280.37	1.91	0.26	0.00	15.84	3.53	12.32		

Year	N	AISD	AISU	Spread (All-in-pricing)		Commitment fee	Facility fee	Loan amount	Maturity	Secured	Sole Lender	# of syndicate lenders		# of lead banks		# of participants
				Basis points	Basis points							Y=1; N=0	Y=1; N=0	Number	Number	
2000	33	150.23	7.20	150.23	7.20	0.00	223.91	4.14	0.42	0.03	12.03	3.03	9.00			
2001	26	172.97	6.10	172.97	6.10	0.00	386.07	3.51	0.35	0.04	16.27	4.65	11.62			
2002	30	289.41	27.37	280.99	18.95	8.42	418.17	3.76	0.47	0.00	13.13	3.37	9.77			
2003	30	179.36	14.24	176.86	11.74	2.50	851.15	3.61	0.37	0.00	22.57	7.50	15.07			
2004	29	146.52	6.90	144.80	5.17	1.72	543.07	4.07	0.14	0.00	25.31	8.66	16.66			
2005	27	112.77	2.11	112.77	2.11	0.00	1,991.20	4.68	0.11	0.00	29.59	12.70	16.89			
2006	27	81.67	3.33	81.34	2.99	0.33	983.70	4.40	0.19	0.04	23.30	9.04	14.26			
2007	17	66.75	1.25	66.31	0.81	0.44	1,372.71	4.48	0.00	0.00	21.06	9.71	11.35			
2008	13	179.15	24.62	156.07	1.54	23.08	988.90	2.31	0.31	0.00	17.85	8.08	9.77			
2009	5	258.00	0.00	258.00	0.00	0.00	873.40	1.75	0.40	0.00	10.80	5.00	5.80			
2010	6	170.62	0.00	170.62	0.00	0.00	1,552.95	2.83	0.00	0.00	20.83	10.67	10.17			
Total Mean	678	142.39	8.04	141.19	6.83	1.21	415.60	5.08	0.21	0.04	15.97	3.84	12.13			
Std. Dev.	678	166.52	22.81	164.69	18.27	11.08	1,028.07	3.72	0.41	0.19	13.28	5.17	10.43			

This table provides mean values of the price terms and non-price terms of syndicated loan conditions from 1980-2010. Syndicated loan data are collected from Dealogic database for privatized firms listed mainly in the Privatization Barometer and the World Bank database. Both loan amount and loan spread in the top and bottom 1% of all observations are dropped. Variable definitions are provided in Table 1.

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Table 6 Differences in means tests for price terms and non-price terms by development of countries

Panel A: Whole sample

Variable	Before the initial privatization		After the initial privatization		Difference	
	N	Mean	N	Mean	Mean	T statistics
Price terms						
AISD	374	141.80	304	143.10	1.28	0.10
AISU	374	7.70	304	8.45	0.75	0.41
Spread (All-in-pricing)	374	141.50	304	140.80	-0.67	-0.05
Commitment fee	374	7.37	304	6.17	-1.20	-0.84
Facility fee	374	0.33	304	2.28	1.95	2.07 **
Non-price terms						
Loan amount	374	173.60	304	713.30	539.70	6.39 ***
Maturity	374	6.08	304	3.84	-2.24	-8.43 ***
Secured (Y=1; N=0)	374	0.17	304	0.25	0.08	2.50 **
Sole Lender (Y=1; N=0)	374	0.04	304	0.04	-0.00	-0.09
# of syndicate lenders	374	13.53	304	18.97	5.44	5.32 ***
# of lead banks	374	1.88	304	6.25	4.37	11.28 ***
# of participant	374	11.65	304	12.72	1.07	1.34

Panel B: Developed countries

Variable	Before the initial privatization		After the initial privatization		Difference	
	N	Mean	N	Mean	Mean	T statistics
Price terms						
AISD	140	68.58	92	81.53	12.94	0.91
AISU	140	8.83	92	8.02	-0.81	-0.37
Spread (All-in-pricing)	140	68.32	92	81.36	13.05	0.89
Commitment fee	140	8.57	92	7.86	-0.71	-0.32
Facility fee	140	0.26	92	0.16	-0.10	-0.50
Non-price terms						
Loan amount	140	209.50	92	1,520.80	1,311.30	5.46 ***
Maturity	140	6.58	92	4.94	-1.64	-4.19 ***
Secured (Y=1; N=0)	140	0.05	92	0.10	0.05	1.32

Variable	Before the initial privatization		After the initial privatization		Difference	
	N	Mean	N	Mean	Mean	T statistics
Sole Lender (Y=1; N=0)	140	0.04	92	0.02	-0.02	-0.92
# of syndicate lenders	140	15.18	92	23.28	8.10	4.11 ***
# of lead banks	140	2.06	92	8.82	6.75	7.79 ***
# of participant	140	13.11	92	14.47	1.35	0.92

Panel C: Developing countries

Variable	Before the initial privatization		After the initial privatization		Difference	
	N	Mean	N	Mean	Mean	T statistics
Price terms						
AISD	234	185.60	212	169.80	-15.81	-0.93
AISU	234	7.02	212	8.64	1.62	0.65
Spread (All-in-pricing)	234	185.30	212	166.60	-18.65	-1.11
Commitment fee	234	6.65	212	5.43	-1.22	-0.67
Facility fee	234	0.37	212	3.20	2.83	2.11 **
Non-price terms						
Loan amount	234	152.20	212	362.90	210.70	4.82 ***
Maturity	234	5.78	212	3.36	-2.42	-6.89 ***
Secured (Y=1; N=0)	234	0.25	212	0.32	0.07	1.71 *
Sole Lender (Y=1; N=0)	234	0.03	212	0.04	0.01	0.45
# of syndicate lenders	234	12.54	212	17.10	4.56	3.92 ***
# of lead banks	234	1.77	212	5.14	3.37	8.70 ***
# of participant	234	10.78	212	11.96	1.18	1.24

This table represents the results of differences in mean tests for price terms and non-price terms of syndicated loan conditions following privatizations. Panel A is the whole sample results. Panel B and Panel C are results for developed countries and developing countries, respectively. Syndicated loan data are collected from Dealogic database for privatized firms listed mainly in the Privatization Barometer and the World Bank database. Both loan amount and loan spread in the top and bottom 1% of all observations are dropped. Variable definitions are provided in Table 1. The *t* statistics are shown in the last column. “***”, “**”, and “*” represent 1%, 5%, and 10% significance levels, respectively.

In Table 7, the sample following privatizations is separated into government with control right, which the government ownership is more than 50%, and

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government without control right, which the government ownership is less than 50%. Panel A is the mean difference tests for the whole sample. Panel B and Panel C are the samples from developed and developing countries, respectively.

For price terms, it is clearly observed that both spreads and fees significantly decline if government still has control right after privatizations. For instance, AISD, AISU, spread, and commitment fee decrease by 62.72 basis points, 4.40 basis points, 63.75 basis points, and 5.43 basis points respectively, after privatizations. In contrast, there are significant increases on spreads and fees if government loses control right after privatizations. For example, AISD, spread, and facility fee increase by 44.19 basis points, 41.61 basis points, and 2.58 basis points respectively, after privatizations; AISU and commitment fee insignificantly increase by 4.21 basis points and 1.23 basis points. The results imply that government ownership is associated with the implicit government guarantee, which dominates the changes in loan spreads and fees after privatizations. Loan spreads and fees both significantly decrease for those firms with more than 50% government ownership. On the other hand, loan spreads and fees have significant increases for those firms with less than 50% government ownership. The results in Table 7 also imply that privatization has opposite influences on both samples where government either with or without control right, therefore leading to insignificant changes shown in Table 6. The changes in non-price terms are consistent with the results in Table 6, where changes in loan amount, number of lead banks, and number of syndicate lenders are significantly positive, whether or not there are changes in government stakes during privatizations.

The results shown in Panel B and Panel C of Table 7 are consistent with what its Panel A suggests. Besides, the results in Panel A of Table 7 are mostly contributed by the sample of developing countries. The changes of loan conditions in developed countries are smaller than the changes in developing countries.

In summary, Table 7 reports that there is a positive relationship between government ownership and the implicit government guarantee during privatized process. Then, the implicit government guarantee has positive influences on credit risk, loan spreads, and loan fees for borrowing companies after privatizations.

Table 7 Differences in means tests for price terms and non-price terms by government ownership

Panel A: Whole sample

Variable	Before the initial privatization			After the initial privatization			Difference					
	Govt. < 50%			Govt. >= 50%			Govt. < 50%			Govt. >= 50%		
	N	Mean	T statistics	N	Mean	T statistics	Mean	T statistics	Mean	T statistics		
Price terms												
AISD	374	141.80	182	186.00	122	79.09	44.19	2.82 ***	-62.72	-4.85 ***		
AISU	374	7.70	182	11.91	122	3.30	4.21	1.58	-4.40	-2.54 **		
Spread (All-in-pricing)	374	141.50	182	183.10	122	77.74	41.61	2.68 ***	-63.75	-5.03 ***		
Commitment fee	374	7.37	182	9.00	122	1.94	1.63	0.80	-5.43	-5.33 ***		
Facility fee	374	0.33	182	2.91	122	1.35	2.58	2.01 **	1.02	0.75		
Non-price terms												
Loan amount	374	173.60	182	903.20	122	430.10	729.50	5.66 ***	256.40	3.42 ***		
Maturity	374	6.08	182	4.20	122	3.30	-1.88	-6.26 ***	-2.78	-8.50 ***		
Secured (Y=1; N=0)	374	0.17	182	0.30	122	0.18	0.13	3.26 ***	0.01	0.16		
Sole Lender (Y=1; N=0)	374	0.04	182	0.02	122	0.06	-0.02	-0.97	0.02	0.86		
# of syndicate lenders	374	13.53	182	19.96	122	17.49	6.43	5.01 ***	3.96	3.14 ***		
# of lead banks	374	1.88	182	6.62	122	5.70	4.74	9.30 ***	3.83	7.15 ***		
# of participant	374	11.65	182	13.35	122	11.79	1.69	1.73 *	0.13	0.14		

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Panel B. Developed countries

Variable	Before the initial privatization		After the initial privatization				Difference			
	Govt. < 50%		Govt. >= 50%		Govt. < 50%		Govt. >= 50%		Govt. >= 50%	
	N	Mean	N	Mean	Mean	T statistics	Mean	T statistics	Mean	T statistics
Price terms										
AISD	140	68.58	71	90.21	21	52.17	21.63	1.26	-16.41	-1.28
AISU	140	8.83	71	8.40	21	6.76	-0.43	0.18	-2.07	-0.82
Spread (All-in-pricing)	140	68.32	71	90.00	21	52.17	21.68	1.26	-16.15	-1.26
Commitment fee	140	8.57	71	8.19	21	6.76	-0.38	-0.16	-1.80	-0.72
Facility fee	140	0.26	71	0.21	21	0.00	-0.05	-0.22	-0.26	-2.13 **
Non-price terms										
Loan amount	140	209.50	71	1,737.70	21	787.40	1,528.20	5.15 ***	577.90	2.19 **
Maturity	140	6.58	71	4.78	21	5.48	-1.80	-4.07 ***	-1.10	-2.25 **
Secured (Y=1; N=0)	140	0.05	71	0.11	21	0.05	0.06	1.49	-0.00	-0.05
Sole Lender (Y=1; N=0)	140	0.04	71	0.01	21	0.05	-0.03	-1.30	0.00	0.10
# of syndicate lenders	140	15.18	71	24.37	21	19.62	9.19	4.05 ***	4.44	1.54
# of lead banks	140	2.06	71	9.63	21	6.05	7.57	7.48 ***	3.98	2.86 ***
# of participant	140	13.11	71	14.73	21	13.57	1.62	1.00	0.46	0.18

Panel C: Developing countries

Variable	Before the initial privatization		After the initial privatization				Difference			
	N	Mean	Govt. < 50%		Govt. >= 50%		Govt. < 50%		Govt. >= 50%	
			N	Mean	N	Mean	Mean	T statistics	Mean	T statistics
Price terms										
AISD	234	185.60	111	247.30	101	84.69	61.65	3.04 ***	-100.90	-6.02 ***
AISU	234	7.02	111	14.15	101	2.57	7.13	1.74 *	-4.45	-2.35 **
Spread (All-in-pricing)	234	185.30	111	242.60	101	83.05	57.39	2.90 ***	-102.20	-6.20 ***
Commitment fee	234	6.65	111	9.52	101	0.94	2.87	0.96	-5.71	-5.24 ***
Facility fee	234	0.37	111	4.63	101	1.63	4.26	2.05 **	1.27	0.77
Non-price terms										
Loan amount	234	152.20	111	369.30	101	355.80	217.20	4.46 ***	203.60	2.88 ***
Maturity	234	5.78	111	3.83	101	2.84	-1.95	-4.94 ***	-2.94	-7.32 ***
Secured (Y=1; N=0)	234	0.25	111	0.42	101	0.21	0.18	3.19 ***	-0.04	-0.81
Sole Lender (Y=1; N=0)	234	0.03	111	0.03	101	0.06	-0.01	-0.35	0.03	0.95
# of syndicate lenders	234	12.54	111	17.14	101	0.06	4.60	3.27 ***	4.51	3.17 ***
# of lead banks	234	1.77	111	4.68	101	5.63	2.92	6.58 ***	3.87	6.60 ***
# of participant	234	10.78	111	12.46	101	11.42	1.68	1.38	0.64	0.60

This table represents changes in price terms and non-price terms of syndicated loan conditions following privatizations based on the different level of government ownership. Panel A is the whole sample results. Panel B and Panel C are results for developed countries and developing countries, respectively. Sample is divided by government ownership at 50% after the privatizations. Syndicated loan data are collected from Dealogic database for privatized firms listed mainly in the Privatization Barometer and the World Bank database. Government ownership data are collected from several data sources, including Datastream, Worldscope, Bankscope, OSIRIS, and companies' annual reports. Both loan amount and loan spread in the top and bottom 1% of all observations are dropped. Variable definitions are provided in Table 1. ***, **, *, and *** denote significance at the 1%, 5%, and 10% levels, respectively.

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These difference-in-mean tests provide a preliminary support that banks tend to adjust the price terms of syndicated loan conditions, which reflect the credit risk of privatized firms, rather than the non-price terms. Banks also reach the same targets through setting the requirement of collaterals. However, the results of loan amount, maturity, number of syndicate lenders, and number of lead banks all have insignificant differences between different privatized firms. Furthermore, privatization has opposite influences on price terms conditions for both subsamples where government either with or without control right, therefore leading to the insignificant changes for the whole sample. For instance, stronger implicit government guarantee make loan spreads and fees lower when government still hold over 50% of stakes of privatized firms after privatization. In contrast, sharp declines in government ownership also leads to the declines in the implicit government guarantee when the percentage of shares held by government is less than 50% after privatization. Thus, banks tend to raise both loan spreads and loan fees, and require privatized firms providing collaterals. The results are partially consistent with Borisova & Megginson (2011)⁴ that there is a positive relation between government ownership and the implicit government guarantee, thus resulting in the increases of financing costs. Our results also imply that lenders of syndicated loans are attracted by credit risk of privatized firms while bondholders are attracted by operating performance after fully privatization.

4.3 Effects of retained government ownership and syndicated loans

In this section, we discuss the effects of privatization on retained government ownership and syndicated loans. Table 8 reports the regression results of price term conditions versus government ownership for the whole sample. The price-term dependent variables include AISD, AISU, spread, and commitment fee. In model 7, there is a significantly negative relation between AISU and *Govt50*. AISU for firms

⁴ In Borisova & Megginson (2011), *Partially privatized* and *Fully privatized* are both important variables. However, they do not have significantly impacts on loan conditions (not shown in this paper).

with over 50% government ownership is lower than AISU for firms with below 50% government ownership at 6.6 basis points. Moreover, there is a significantly negative relation between *Govt50* and commitment fee (in Model 19), and this relation is still strong even through adding firm character control factors (in Model 20). In most of the models, there are significantly negative relations among *Govthold* and AISD, AISU, spread, and commitment fee. Furthermore, *Govthold*², as an important variable introduced by Borisova & Megginson (2011), is only significantly positive with AISD in both Model 5 and Model 6, and significantly positive with spreads in both Model 17 and Model 18.

Partially privatized, as another important variable in Borisova & Megginson (2011), has significantly negative relations to AISD and spread, but has insignificantly positive relation to commitment fee after considering firm character control factors. This is inconsistent with Borisova & Megginson (2011). Finally, *npriv* has insignificantly positive relations with loan spreads and fees, hence meaning that speed of privatizations does not promote banks to lower spreads and fees.

As for loan control variables, there is a positive relationship between *Maturity* and price terms, meaning that the longer the maturity, the higher the spreads and fees. This is inconsistent with Berg et al. (2012). *Secured* has both insignificantly positive relations with AISD and spread; however, *Secured* has a significantly negative relation to commitment in Model 19-24. This is partially consistent with Berg et al. (2012). In Model 3 and Model 15, AISD and spread of highly leveraged loans are higher than those of investment grade loans, at 280.2 basis points and 279.1 basis points respectively. In addition, AISD and spread of leveraged loans are higher than those of investment grade loans, at 73.02 basis points and 73.39 basis points respectively. It is in line with the expectation that both lenders of highly leveraged loans and leveraged loans can bear higher default risks of companies than those lenders of investment grade loans. For other control variables, *Developing countries* and *Bank* are both significantly positive. It means that AISD and spread in developing countries are higher than those in developed countries. Finally, AISU and commitment fee for banks are significantly lower than those for other industries.

Table 8 Effects of retained government ownership and price terms of syndicated loans conditions, Whole sample

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	AISD	AISD	AISD	AISD	AISD	AISD	AISU	AISU	AISU	AISU	AISU	AISU
Govt50	-13.4 (-1.20)	-6.309 (-0.59)					-6.600*** (-3.42)	-4.972** (-2.13)				
Govthold			-44.12** (-2.29)	-2.999 (-0.15)	-158.0** (-2.54)	-197.5*** (-3.11)			-11.38*** (-3.05)	-2.262 (-0.54)	-14.43 (-1.19)	-3.158 (-0.24)
Govthold ²					113.9* (1.85)	195.4*** (2.96)					3.807 (0.32)	0.968 (0.07)
private_yr	21.7 (1.06)	39.36** (2.19)	16.34 (0.85)	38.69** (2.05)	9.247 (0.50)	23.2 (1.23)	-4.371 (-1.24)	-4.02 (-1.03)	-5.153 (-1.39)	-4.191 (-1.03)	-2.679 (-0.74)	-4.142 (-1.05)
Partially privatized	-34.72** (-2.48)	-60.38*** (-4.75)	-32.62** (-2.47)	-64.63*** (-4.75)			4.016* (1.66)	0.232 (0.08)	4.581* (1.78)	-0.0497 (-0.02)		
npriv	6.53* (1.69)	0.937 (0.28)	5.001 (1.36)	0.263 (0.07)	4.663 (1.27)	-1.457 (-0.40)	0.0799 (0.12)	0.684 (0.93)	0.345 (0.49)	0.69 (0.89)	0.448 (0.63)	0.69 (0.89)
Maturity	8.669*** (5.43)	7.306*** (3.87)	8.192*** (5.11)	8.535*** (4.09)	7.750*** (4.84)	7.019*** (3.33)	1.012*** (3.66)	0.812** (1.98)	1.030*** (3.31)	1.110** (2.48)	1.073*** (3.45)	1.109** (2.51)
Secured	21.26 (1.56)	18.76 (1.46)	19.09 (1.44)	18.1 (1.29)	22.48* (1.71)	23.43 (1.64)	-2.697 (-1.15)	-3.831 (-1.37)	-3.979 (-1.55)	-3.443 (-1.14)	-4.68* (-1.84)	-3.47 (-1.16)
Solo lender	-6.623 (-0.22)	-33.83 (-0.98)	-31.31 (-1.06)	-32.6 (-0.80)	-32.54 (-1.10)	-26.29 (-0.63)	-1.229 (-0.24)	-3.337 (-0.44)	-3.244 (-0.57)	-2.919 (-0.33)	-2.871 (-0.50)	-2.903 (-0.33)
# of syndicate lenders	1.078 (0.78)	0.0555 (0.05)	1.594 (1.22)	0.239 (0.18)	1.4 (1.07)	-0.299 (-0.22)	-0.215 (-0.91)	-0.169 (-0.64)	-0.132 (-0.52)	-0.224 (-0.79)	-0.0886 (-0.35)	-0.223 (-0.79)
# of participants	-2.65 (-1.59)	0.2 (0.12)	-3.399** (-2.09)	-0.105 (-0.06)	-3.211** (-1.97)	0.507 (0.26)	0.433 (1.50)	0.51 (1.41)	0.296 (0.94)	0.632 (1.57)	0.255 (0.81)	0.632 (1.57)

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	AISD	AISD	AISD	AISD	AISD	AISD	AISU	AISU	AISU	AISU	AISU	AISU
Loan Type	288.6*** (14.01)	269.3*** (13.88)	280.2*** (14.14)	269.4*** (12.85)	285.0*** (14.18)	277.7*** (12.92)	-0.9 (-0.25)	-5.338 (-1.27)	-0.198 (-0.05)	-3.514 (-0.78)	0.126 (0.03)	-3.49 (-0.77)
-Highly Leveraged												
Loan Type	62.83*** (4.24)	63.37*** (4.36)	73.02*** (4.69)	62.98*** (3.88)	82.66*** (5.33)	79.98*** (4.90)	1.357 (0.53)	5.717* (1.81)	4.001 (1.33)	7.406** (2.13)	3.27 (1.09)	7.429** (2.17)
-Leveraged												
Developing countries	69.55*** (4.85)	72.23*** (4.35)	74.59*** (5.13)	80.40*** (4.09)	66.65*** (4.78)	58.38*** (3.04)	-0.0702 (-0.03)	5.607 (1.55)	1.099 (0.39)	3.769 (0.89)	2.892 (1.07)	3.789 (0.94)
Bank	11.55 (0.83)	-32.42* (-1.88)	-1.818 (-0.13)	-31.33 (-1.63)	2.773 (0.20)	-26.21 (-1.34)	-3.104 (-1.30)	-11.96*** (-3.19)	-3.65 (-1.32)	-12.95*** (-3.14)	-4.924* (-1.82)	-12.96*** (-3.15)
Size		-3.252 (-1.39)		-4.399 (-1.54)		-2.892 (-0.98)		-1.537*** (-3.03)		-1.271** (-2.07)		-1.265** (-2.04)
ROE		-0.116 (-1.19)		-0.194* (-1.68)		-0.173 (-1.47)		0.0152 (0.72)		-0.00686 (-0.28)		-0.00703 (-0.28)
Leverage ratio		0.318 (0.28)		0.0613 (0.05)		-0.0224 (-0.02)		0.802*** (3.25)		0.779*** (2.85)		0.775*** (2.77)
Interest coverage		0.405** (2.08)		0.437** (2.13)		0.361* (1.73)		-0.00277 (-0.07)		-0.00260 (-0.06)		-0.00255 (-0.06)
Constant	-35.34 (-1.14)	25.61 (0.27)	38.7 (0.84)	-34.25 (-0.32)	43.48 (0.94)	11.25 (0.10)	9.294* (1.74)	13.93 (0.67)	11.62 (1.30)	10.6 (0.47)	10.16 (1.13)	10.7 (0.47)
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	675	362	565	324	565	324	675	362	565	324	565	324
R-squared	0.4597	0.6525	0.5367	0.651	0.5344	0.6345	0.1398	0.2223	0.1493	0.2363	0.1443	0.2363
Adj. R-squared	0.4229	0.6055	0.4985	0.6003	0.4959	0.5813	0.0812	0.1172	0.0791	0.1252	0.0737	0.1253

Table 8 Effects of retained government ownership and price terms of syndicated loans conditions, Whole sample (Continued)

Variable	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	Spread	Spread	Spread	Spread	Spread	Spread	fee	fee	fee	fee	fee	fee
Govt50	-12.38 (-1.12)	-5.952 (-0.57)					-5.574*** (-3.65)	-4.615** (-2.57)				
Govthold			-42.17** (-2.22)	-3.603 (-0.19)	-146.8** (-2.40)	-188.5*** (-3.06)			-9.434*** (-3.29)	-2.865 (-0.90)	-3.29 (-0.36)	5.863 (0.58)
Govthold ²					104.2* (1.72)	185.3*** (2.89)					-5.831 (-0.64)	-9.164 (-0.87)
private_yr	21.78 (1.08)	38.70** (2.22)	16.51 (0.88)	38.02** (2.07)	8.424 (0.46)	22.46 (1.23)	-4.292 (-1.54)	-4.682 (-1.55)	-4.985* (-1.75)	-4.863 (-1.57)	-3.502 (-1.26)	-4.878 (-1.61)
Partially privatized	-35.23** (-2.55)	-59.14*** (-4.80)	-33.19** (-2.55)	-63.14*** (-4.78)			3.505* (1.83)	1.477 (0.69)	4.014** (2.04)	1.432 (0.64)		
npriv	6.656* (1.74)	1.047 (0.32)	5.093 (1.41)	0.4 (0.11)	4.717 (1.30)	-1.291 (-0.36)	0.207 (0.39)	0.793 (1.40)	0.437 (0.80)	0.827 (1.39)	0.501 (0.92)	0.855 (1.45)
Maturity	8.558*** (5.42)	7.137*** (3.90)	8.031*** (5.09)	8.294*** (4.10)	7.593*** (4.81)	6.812*** (3.33)	0.902*** (4.12)	0.644** (2.04)	0.870*** (3.65)	0.869** (2.54)	0.916*** (3.84)	0.902*** (2.67)
Secured	21 (1.56)	17.65 (1.41)	18.77 (1.44)	16.88 (1.24)	22.35 (1.73)	22.3 (1.61)	-2.953 (-1.59)	-4.947** (-2.30)	-4.304** (-2.19)	-4.664** (-2.03)	-4.815** (-2.46)	-4.598** (-2.01)
Solo lender	-5.958 (-0.20)	-33.1 (-0.98)	-29.97 (-1.03)	-31.4 (-0.79)	-31.34 (-1.08)	-25.31 (-0.63)	-0.565 (-0.14)	-2.608 (-0.45)	-1.908 (-0.44)	-1.719 (-0.26)	-1.674 (-0.38)	-1.921 (-0.29)
# of syndicate lenders	1.21 (0.89)	0.109 (0.09)	1.713 (1.33)	0.286 (0.22)	1.506 (1.17)	-0.243 (-0.19)	-0.0827 (-0.44)	-0.115 (-0.56)	-0.0134 (-0.07)	-0.176 (-0.81)	0.0173 (0.09)	-0.168 (-0.78)
# of participants	-2.774* (-1.33)	0.133 (0.09)	-3.493** (-1.03)	-0.167 (-0.05)	-3.294** (-1.03)	0.436 (0.14)	0.309 (0.10)	0.444 (0.14)	0.202 (0.07)	0.571* (0.19)	0.173 (0.05)	0.561* (0.19)

Variable	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	Spread (-1.68)	Spread (0.08)	Spread (-2.18)	Spread (-0.09)	Spread (-2.05)	Spread (0.23)	fee (1.35)	fee (1.59)	fee (0.84)	fee (1.85)	fee (0.71)	fee (1.83)
Loan Type	287.3***	269.0***	279.1***	269.1***	283.4***	277.0***	-2.121	-5.563*	-1.334	-3.866	-1.511	-4.157
-Highly Leveraged	(14.10)	(14.30)	(14.31)	(13.24)	(14.31)	(13.27)	(-0.75)	(-1.71)	(-0.45)	(-1.12)	(-0.51)	(-1.21)
Loan Type	63.23***	63.08***	73.39***	62.57***	82.84***	79.11***	1.761	5.433**	4.372*	6.998***	3.443	6.563**
-Leveraged	(4.31)	(4.48)	(4.79)	(3.98)	(5.42)	(4.99)	(0.87)	(2.23)	(1.89)	(2.63)	(1.49)	(2.51)
Developing countries	68.09***	68.11***	72.73***	76.15***	64.26***	54.39***	-1.529	1.491	-0.76	-0.476	0.497	-0.209
Bank	(4.80)	(4.23)	(5.08)	(4.00)	(4.68)	(2.92)	(-0.78)	(0.54)	(-0.35)	(-0.15)	(0.24)	(-0.07)
Size	13.93	-28.5*	0.989	-27.31	6.029	-22.18	-0.721	-8.036***	-0.842	-8.935***	-1.668	-8.932***
ROE	(1.02)	(-1.70)	(0.07)	(-1.47)	(0.44)	(-1.17)	(-0.38)	(-2.78)	(-0.40)	(-2.84)	(-0.80)	(-2.84)
Leverage ratio	-2.688	-2.688	-3.815	-3.815	-2.373	-2.373	-0.973**	(-2.49)	(-2.49)	(-1.46)	(-1.46)	(-1.58)
Interest coverage	(-1.19)	(-1.19)	(-1.37)	(-1.37)	(-0.83)	(-0.83)	0.0275*	0.0275*	0.0114	0.0114	0.0114	0.0120
Constant	0.249	0.249	0.000521	0.000521	0.371*	0.371*	0.733***	0.733***	0.718***	0.718***	0.718***	0.744***
Year fixed effect	(0.23)	(0.23)	(0.00)	(0.00)	(-0.04)	(-0.04)	(3.85)	(3.85)	(3.43)	(3.43)	(3.43)	(3.49)
Observations	0.415**	0.415**	0.445**	0.445**	0.00740	0.00740	0.00555	0.00555	0.00555	0.00555	0.00555	0.00660
R-squared	(2.20)	(2.20)	(2.24)	(2.24)	(1.82)	(1.82)	(0.16)	(0.16)	(0.16)	(0.16)	(0.16)	(0.20)
Year fixed effect	-35.02	17.32	37.3	-38.32	42.62	5.684	9.619**	5.645	10.22	6.526	9.307	5.136
Observations	(-1.15)	(0.19)	(0.82)	(-0.37)	(0.94)	(0.05)	(2.27)	(0.35)	(1.49)	(0.38)	(1.35)	(0.30)
R-squared	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	675	362	565	324	565	324	675	362	565	324	565	324
R-squared	0.4596	0.6599	0.5385	0.6582	0.5354	0.6411	0.159	0.2598	0.1704	0.2767	0.1644	0.2776

The Impact of Privatization on Loan Conditions

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Variable	Spread	Spread	Spread	Spread	Spread	Spread	Commitment fee					
Adj. R-squared	0.4228	0.6139	0.5004	0.6085	0.4971	0.5889	0.1017	0.1597	0.1019	0.1715	0.0954	0.1725

This table reports regressions that relate the price terms of syndicated loans. The regression is

$$Loan_{i,t} = \alpha + \beta_1 Govt_{i,t} + \beta_2 LoanContro_{i,t} + \gamma X_{i,t-1} + \delta Year_t + \varepsilon$$

$$Loan_{i,t} = \alpha + \beta_1 Govthold_{i,t} + \beta_2 (Govthold_{i,t})^2 + \beta_3 LoanContro_{i,t} + \gamma X_{i,t-1} + \delta Year_t + \varepsilon$$

The syndicated loans of privatized firms cover the period 1980 – 2010. Both loan amount and loan spread in the top and bottom 1% of all observations are dropped. The dependent variables are AISD, AISU, spread, and commitment fee (all shown in basis point). Government ownership data are collected from several data sources, including Datastream, Worldscope, Bankscope, OSIRIS, and firms' annual reports. Variable definitions are summarized in Table 1. The *t*-statistics are in parentheses. “***”, “**”, and “*” represent 1%, 5%, and 10% significance levels, respectively.

Table 9 represents the regressions of non-price term conditions on government ownership for the whole sample. The dependent variables include loan amount and maturity. *Govt50* has significantly negative relation to loan amount in Model 1, therefore meaning that loan amount is smaller when government has control right. Model 3, 5, and 6 represent that *Govthold* has significantly negative relation to loan amount, thus meaning that higher government ownership is associated with smaller loan amount.

Both impacts of highly leveraged loans and leveraged loans on non-price terms are smaller than those impacts on price terms. The default risks for highly leveraged loans and leveraged loans are insignificantly higher than others, so loan amount are expected to be smaller, and maturity are expected to be shorter. There is a significantly positive relation between Number of syndicate lenders and Loan amount⁵. It means that larger number of lead banks and larger number of participants would lead to larger loan amount. Finally, borrowing companies in developing countries have smaller loan amount and shorter maturity than those companies in developed countries.

We also followed Borisova & Megginson (2011), and the results are similar to Table 8 and Table 9 if only considering post-privatization sample (not shown in this paper). Regression results also imply that the impact of privatization on price-terms is stronger. The regression results are also partially consistent with Borisova & Megginson (2011), and support the implicit government guarantee.

⁵ If *Number of lead banks* and *Number of participants* are the dependent variables (not shown in this paper), they are insignificantly related with *Govt50*, *Govthold* and *Govthold*².

Table 9 Effects of retained government ownership and non-price terms of syndicated loans conditions, Whole sample

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Loan amount	Loan amount	Loan amount	Loan amount	Loan amount	Loan amount	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity
Govt50	-0.236*** (-3.05)	-0.194* (-1.79)					-0.261 (-0.95)	-0.272 (-0.85)				
Govthold			-0.417*** (-2.79)	-0.17 (-0.87)	-0.994** (-2.07)	-1.460** (-2.36)			0.0766 (0.15)	0.27 (0.49)	-1.276 (-0.75)	0.636 (0.36)
Govthold ²					0.61 (1.29)	1.415** (2.20)					1.502 (0.90)	-0.112 (-0.06)
private_yr	0.209 (1.46)	0.251 (1.38)	0.189 (1.27)	0.273 (1.44)	0.266* (1.84)	0.383** (2.08)	-0.511 (-1.00)	-0.301 (-0.56)	-0.51 (-0.97)	-0.11 (-0.20)	-0.0699 (-0.14)	0.362 (0.68)
Partially privatized	0.066 (0.68)	0.0255 (0.20)	0.0661 (0.65)	0.0107 (0.08)			0.523 (1.50)	1.016*** (2.73)	0.678* (1.88)	1.016*** (2.65)		
npriv	0.0000271 (0.00)	-0.058* (-1.70)	-0.00865 (-0.31)	-0.0644* (-1.77)	-0.00565 (-0.20)	-0.061* (-1.71)	0.241** (2.53)	0.0652 (0.65)	0.202** (2.02)	0.11 (1.07)	0.221** (2.21)	0.147 (1.42)
Secured	0.15 (1.62)	-0.113 (-0.88)	0.124 (1.24)	-0.0993 (-0.71)	0.108 (1.09)	-0.155 (-1.11)	1.657*** (5.00)	0.405 (1.06)	1.663*** (4.70)	0.412 (1.03)	1.561*** (4.43)	0.221 (0.55)
Solo lender	0.222 (1.12)	0.241 (0.69)	0.303 (1.33)	0.286 (0.70)	0.314 (1.38)	0.304 (0.76)	-1.279* (-1.81)	1.38 (1.34)	-0.942 (-1.17)	2.396** (2.08)	-0.884 (-1.09)	2.393** (2.05)
# of syndicate lenders	0.0302*** (3.15)	0.0432*** (3.53)	0.0325*** (3.22)	0.0466*** (3.51)	0.0335*** (3.34)	0.0478*** (3.65)	0.029 (0.85)	-0.0132 (-0.36)	0.0346 (0.97)	-0.0191 (-0.51)	0.042 (1.18)	-0.00841 (-0.22)
# of participants	0.0250** (2.15)	-0.12 (-0.62)	0.0219* (1.74)	-0.0668 (-0.32)	0.0209* (1.66)	-0.0358 (-0.17)	-0.0501 (-1.21)	-0.598 (-1.04)	-0.0605 (-1.36)	-0.421 (-0.70)	-0.0675 (-1.52)	-0.496 (-0.82)
Loan Type -Highly Leveraged	-0.151 (-1.06)	-0.238 (-1.64)	-0.102 (-0.66)	-0.255 (-1.57)	-0.0693 (-0.45)	-0.241 (-1.53)	-0.823 (-1.62)	-0.671 (-1.56)	-0.444 (-0.82)	-0.804* (-1.75)	-0.353 (-0.64)	-1.061** (-2.33)
Loan Type -Leveraged	-0.165 (-1.60)	0.00543 (0.32)	-0.266** (-2.21)	0.00146 (0.08)	-0.258** (-2.15)	0.000116 (0.01)	-0.389 (-1.06)	0.0234 (0.47)	-0.386 (-0.91)	0.0341 (0.64)	-0.463 (-1.09)	0.0225 (0.42)

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Loan amount	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity					
Developing countries	-0.208**	-0.420**	-0.241**	-0.497**	-0.197*	-0.428**	-1.465***	-1.046**	-2.037***	-1.081*	-1.750***	-0.615
	(-2.11)	(-2.53)	(-2.20)	(-2.54)	(-1.87)	(-2.29)	(-4.17)	(-2.14)	(-5.26)	(-1.94)	(-4.69)	(-1.14)
Bank	-0.597***	-0.737***	-0.557***	-0.761***	-0.593***	-0.797***	1.533***	-0.769	1.676***	-0.514	1.465***	-0.682
	(-6.31)	(-4.26)	(-5.16)	(-3.95)	(-5.58)	(-4.19)	(4.55)	(-1.51)	(4.40)	(-0.94)	(3.89)	(-1.24)
Size		0.0223		0.0470		0.0546*		-0.00685		-0.0642		-0.0736
		(0.95)		(1.64)		(1.90)		(-0.10)		(-0.79)		(-0.89)
ROE		0.000307		-0.0000459		-0.000382		0.00387		0.00867***		0.00784**
		(0.31)		(-0.04)		(-0.33)		(1.35)		(2.67)		(2.38)
Leverage ratio		-0.0128		-0.0144		-0.0214*		0.0912***		0.0917**		0.0804**
		(-1.14)		(-1.13)		(-1.67)		(2.73)		(2.55)		(2.16)
Interest coverage		0.00633***		0.00640***		0.00661***		0.0110*		0.0128**		0.0147**
		(3.26)		(3.13)		(3.28)		(1.92)		(2.20)		(2.52)
Constant	4.263***	3.940***	4.430***	5.294***	4.388***	5.108***	7.495***	3.603	7.070***	4.314	6.855***	4.016
	(21.45)	(4.12)	(12.77)	(5.32)	(12.66)	(5.16)	(10.57)	(1.28)	(5.78)	(1.53)	(5.59)	(1.40)
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	678	362	565	324	565	324	678	362	565	324	565	324
R-squared	0.5725	0.6325	0.557	0.6135	0.5581	0.6199	0.3282	0.4077	0.3437	0.4379	0.3402	0.4240
Adj. R-squared	0.5442	0.5841	0.5214	0.5588	0.5225	0.5662	0.2838	0.3297	0.2908	0.3585	0.2872	0.3426

This table reports regressions that relate the non-price terms of syndicated loans. The regression is

$$Loan_{i,t} = \alpha + \beta_1 Govt50_{i,t} + \beta_2 LoanContro_{i,t} + \gamma X_{i,t-1} + \delta Year_t + \varepsilon$$

$$Loan_{i,t} = \alpha + \beta_1 GovtHold_{i,t} + \beta_2 (GovtHold_{i,t})^2 + \beta_3 LoanContro_{i,t} + \gamma X_{i,t-1} + \delta Year_t + \varepsilon$$

The syndicated loans of privatized firms cover the period 1980 – 2010. Both loan amount and loan spread in the top and bottom 1% of all observations are dropped. The dependent variables are the logarithm of loan amount and year of maturity. Government ownership data are collected from several data sources, including Datastream, Worldscope, Bankscope, OSIRIS, and firms' annual reports. Variable definitions are provided in Table 1. The *t*-statistics are in parentheses. ***, **, and * represent 1%, 5%, and 10% significance levels, respectively.

5. CONCLUSIONS

This paper investigates the impact of privatization on loan conditions using 678 observations of syndicated loans from 1980 to 2010. The empirical results show that credit risk of borrowing companies is more likely reflected through price terms conditions, as compared with non-price terms conditions except for the requirement of collateral. We also find that privatization has opposite influences which there is negative and positive effect for companies with and without control right of government ownership after privatizations respectively resulting in the insignificant results for the full sample. Besides, when government still hold control right after privatizations, the price terms significantly decline and companies do not pledge assets as collaterals for loans. In contrast, there is a significant change on the price terms and companies also have to pledge assets as collaterals for the loans, if governments release control right after privatizations. In addition, these results are mainly driven by the loans from developing countries. Our results are partially consistent with Borisova & Megginson (2011), which assert that there is positive relation between government ownership and the implicit government guarantee, thus resulting in increases in financing costs. In other words, loan spread and fees are lower if borrowing companies with over 50% of government ownership after privatizations. The results also imply that lenders of syndicated loans are attracted to credit risk of privatized firms, while bondholders are attracted to operating performance after full privatization.

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