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Dissertations

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Zuzana Fungáčová: “Privatization and Stock Market Creation: Evidence from Transition Economies”

Dissertation Committee:

Jan Hanousek (chair)

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Abstract:

The importance of finance for growth has already been confirmed in numerous studies. This relationship is especially crucial for the transition economies where financial systems had to be built from the scratch after the collapse of central planning. This work investigates stock markets that constitute an important part of the developed financial system. Functioning stock markets are found to be necessary even if the country's financial system is bank-based. In fact, in the transition countries stock markets are a relatively new phenomenon. Even though in comparison to the developed countries these markets remain still underdeveloped, they have been evolving as an important complement to the banks in the course of the transition process (EBRD Transition Report 2006). Stock markets emerged to help with the transformation of the state-owned assets to private hands and afterwards also with the rearrangement of ownership structures. They were also expected to assist companies in raising capital; however, the low number of initial public offerings in transition countries confirms that they have not succeeded in doing so. In addition to these functions connected to the transition process, stock markets in emerging countries are necessary in terms of performing the standard roles of financial market that include providing information about possible investment and improvement of resource allocation, monitoring investments and exerting corporate governance, risk diversification and mobilization of savings (Levine, 2005).