The Role of Capital Market in the Implementation of Privatisation: The Case of Doha Securities Market (DSM) in The State of Qatar

By

Khalid Ibrahim Al-Sulaiti *
And
Omer Ahmed Osman **

* Assistant Professor of Marketing, Department of Business Administration, University of Qatar and Information & Public Relations Director, Doha Securities Market

** Associate Professor of Business Administration, Department of Business Administration, University of Qatar

The Authors thank Mr. Yasin ababna and Mr. Adnan Saayda, Doha securities market for their helpful comments.

The Role of Capital Market in the Implementation of Privatisation : The Case of Doha Securities Market (DSM) in The State of Qatar

1/ Introduction:

The 1960s and 1970s have witnessed a remarkable enthusiasm on the part of policy makers in developing countries for the creation and expansion of public enterprises. This situation was based on a widespread belief that these enterprises are capable of producing goods and services that their private counterparts are either unable or unwilling to deliver. However, this trend has started to take a reverse direction during the 1980s and 1990s at which times disillusionment began to set in among many policy makers who are now arguing in favour of rolling back the role of the state in the management of the economy. Many reasons have been suggested for this development including, among other things, dissatisfaction with the performance of many public enterprises, the increasing fiscal burden created by the financial losses incurred by the enterprises along with the drying out of external sources of international finance, the changing political and intellectual climate which is becoming more hostile to the hands-on approach of governments in economic management, the pressures exerted by international monetary and financial organisations pushing member countries in the direction of allowing more room for the private sector in the socio-economic development process. This state of affairs has logically led to a loud cry for reform, which gave rise to what this research will set out to study, that is privatisation, taking it from a capital market perspective.

1/1 Definition of Privatisation:

The term privatisation has been given many definitions in the literature. Some scholars like De Wale (1989), Zayad (1992) and others take it from a narrow perspective to indicate the transfer of ownership and control from the public to the private sector. For this school of thought other forms such as equity sales, management contracts, leasing and franchising, joint ventures, tenders and the like are considered partial rather than complete privatisation and could pave the way for smooth implementation of the policy. Other definitions which take a broader view at the situation look at privatisation as:

- "A process of converting or transforming state enterprises totally or partially into private organisations" (Virnan 1992).
- "A term which is used to cover several distinct and possibly alternative means of changing the relationship between the government and the private sector. Among the most important of these are denationalisation (the sale of publicly owned assets), deregulation (the introduction of competition into statutory monopolies) and contracting out (the franchising to private firms of the production of state financed goods & services) Key & Thompson 1986.
- " The term privatisation is used here in a broad sense including not only the sale of state assets but also privatising the management of state activities

through contracts and leases and the contracting out of activities previously done by the state" (Shirely 1988).

Many other scholars such as Hemming & Mansour (1987), Aoais (1990) Al-Kulaifi (1996), and Ahmed (1998) also support this line of thinking and argue in favour of this broader definition of the term privatisation.

The study takes as its main theme the interdependence between privatisation and capital markets, which suggests an emphasis on the public share offering as well as other capital market related dimensions of privatisation.

1/2 Objectives of Privatisation:

Many objectives have been suggested in the literature based on the experiences of both developed and developing countries. We will survey some of these contributions to shed some light on this aspect of privatisation.

- Hemming & Mansour (1987) see privatisation as (1) a means of responding directly to productive efficiency in the public sector, that is as a means of impressing the efficiency of enterprises by limiting the scope for political interference, by making managers more responsible to shareholders and by imposing the financial discipline of the capital markets. (2) Advocates of privatisation also tend to associate it with competition and improvements in allocative efficiency. Other benefits are also claimed. (3) Through privatisation an enterprise can gain access to private sector financing and private owners may bring access to new markets. (4) If the sale of public sector assets can be made attractive this will broaden shares ownership. (5) Privatisation may also spur the development of capital markets and (6) lead to reduction of public sector deficit especially if the government can dispose of loss making enterprises, moreover; (7) if some public sector activities can be transferred to the private sector in significant measure the government should be better placed to focus on the objectives, conduct and performance of those enterprises that remain in the public sector.

- Heald (1985) quoted Heald & Steel (1982) who have identified four objectives for privatisation: (1) enhancing freedom (2) improving efficiency (3) reducing public sector borrowing requirements (PSBR) (4) tackling the problems of public sector pay.

Based on contributions by Hemming & Mansour (1987), Key & Thompson (1986), Heald (1985) Al-Kulaifi (1996), we could summarise the main underlying objectives behind privatisation under the following:

1- Improving efficiency, both productive and allocative by exposing the enterprise to the discipline of the market.

2- Rectifying the fiscal position of the government by reducing the deficit caused by loss making enterprises and using sales proceeds.

3- Spreading share ownership among various sectors of the community thereby allowing a better and more equitable distribution of income and wealth.

4- Helping development and strengthening of the capital market and bringing in new investors and improving savings mobilisation to boost growth prospects in the economy.

1/3 Prerequisites for Success:

Concern about the successful implementation of privatisation for the realisation of above mentioned objectives has led many experts to stipulate some conditions which should be availed to ensure the smooth carry out of the policy.

Shirely (1988) suggested the following prerequisites:

- A policy environment that encourages efficiency in the private sector.
- No special privileges to buyers of state enterprises such as protection from competition or liquidation, granting subsidies and special access to the capital market.
- Creating or strengthening the capital market to allow for sale of equity through public offering.
- Preparation for the negative consequences-social costs- such as unemployment, closure of plants and cutback in services.
- Adequate preparation of the strategy and program for privatisation.
- Development of the administrative capacity of the government agencies involved in privatisation.
- Transparency of the privatisation process.
- Considering forms of privatisation other than public shares offering.

Hemming & Mansour (1987) take the position that when accompanied by liberalisation to foster competition and by regulations to prevent anti-competitive practices, privatisation can increase not only productive efficiency but allocative efficiency as well in that it should lead to a structure of output that is more highly valued by consumers.

Viravan (1992) argues that there are many factors which affect privatisation feasibility and the most prominent among these are (1) political stability (2) availability of professional managerial skills (3) freedom to manage without political interference (4) growth potential of the local economy (5) the depth of the local capital market (6) the capacity to mobilise savings in the national economy.

1/4 Methods of Privatisation:

Over the years countries, both developed and developing, have been using different methods for divesting their public enterprises depending on such factors as the strength of the capital market, the political conditions, the ability of ordinary citizens to buy shares in the privatised enterprises, the attitude towards foreign investment, the extent of local opposition for the policy ... etc. We would, therefore, survey some of the methods followed in actual practice.

Elsadig et al (1995) outline some of these methods as follows:

- Offering the enterprise - fully or partially - as a grant to the management and the workforce, or transferring the ownership of the enterprise to a holding company and offering all or part of its shares to the public through vouchers.
- Inviting tenders by interested parties to buy the enterprise.
- Auction.

- Sale of equity through the capital market.

It is worth-mentioning that a country could use a mix of these methods as circumstances dictate. Abu Elftooh (1998) identifies four methods as follows:

- Public offering of shares through the capital market.
- Outright sale through private placement.
- Management buy out.
- Joint venture

Hamour (1998) is of the opinion that privatisation could be made through (1) sale of the whole enterprise to one or few investors (foreign or local) (2) public offering of shares to the public (3) leasing (4) management contracts (5) transferring the enterprise to the workforce free or for a price.

Ahmed (1998) and Al-Kulaifi (1996) indicate that privatisation could take many forms such as:

- Outright sale to the private sector.
- Sale to the management or workforce.
- Setting up joint ventures with the private sector.
- Sale of assets.
- Tendering some of the enterprise activities
- Lease contracts.
- Management contracts.
- Construction, ownership and operation of infrastrctural projects by the private sector.

1/5 Constraints Facing Privatisation:

Despite the high expectations associated in the minds of many policy makers with privatisation, the policy has in actual practice faced difficulties and constraints some of which proved to be detrimental, especially in developing countries characterised by weak economies, low income and savings, poor institutional set ups, lack of necessary expertise, opposition by various interest groups as well as the inefficient or non-existent capital markets.

De walle (1989) identifies two main groups of constraints, based on the experiences of many countries, which are related to both managerial deficiencies within the state and weaknesses within the economy. Privatisation requires a level of administrative capacity possessed by few developing countries. Problems have emerged in some cases because of the absence of well established competent management consulting groups, accounting firms and investment banks to provide technical advice and arbitrate between competing claims regarding the value of public enterprise being privatised. As a consequence foreign experts often have been summoned.

Additionally, capital markets in developing countries are typically weak and unable to assist in the transfer of public enterprises to the private sector. Because stock markets are small and poorly regulated, or simply non-existent, large investments in equity are unusual and privatisation has to take place through outright sale of assets. The private sector and local banks may not be able to finance purchases of Public Enterprises (PEs), often among the biggest enterprises in the country, and governments may be unwilling to sell assets to potential foreign investors.

Hemming & Mansour (1988) attempt to find an explanation for the slow progress of privatisation in developing countries by indicating that: there are few enterprises which are suitable candidates for privatisation, the practical difficulties in effecting privatisation and the sicio-political obstacles to carrying through this type of program, resources are often not available to finance privatisation or interested buyers many not be acceptable e.g. foreigners.

Reviewing the Egyptian privatisation experience, Aoais (1993) singles out the inefficiency of local capital market as a major obstacle facing the implementation of the policy as necessary finance has to be made available to buy the shares offered for sale.

Musa (1991) identifies three major problems which could retard the privatisation efforts as follows:

1- Lack of efficient capital markets and the low income which made privatisation by conventional equity sale impossible.

2- Most PEs made huge losses and are less attractive to private investors.

3- Strong trade unions opposing the policy.

In addition to these constraints there is a widespread belief that privatisation could have some negative effects such as unemployment, increase in the prices of goods and services used to be produced by the privatised enterprises and the dominance of certain groups with super economic power or even foreign investors (De walle 1989, Aylen 1987, Heald 1990, Hemming and Mansour 1988). These effects, if not well managed, are likely to have detrimental impact on the economic, social and political stability of the respective country.

1/6 Statement of the Research Problem:

The previous review indicates clearly that capital markets feature prominently in all of the privatisation parameters. The development of capital markets has been mentioned on many occasions as integral part of privatisation objectives, especially in the developing countries where such markets are either non-existent or are poorly organised and weakly regulated. The conditions suggested as prerequisites for the success of privatisation included the creation and strengthening of capital markets to allow for the flow of funds required for the sale of shares and to provide a venue through which the government can spread share ownership among the people. The methods of privatisation require-at least for those associated with equity sale-the existence of capital markets through which privatised enterprise shares can be offered for the public to buy. Review of the constraints facing or expected to face implementation of the policy point to the fact that inefficient capital markets could be a real stumbling block which could jeopardise the policy.

It is thus, evident that strong linkages exist between the capital market, its level of development, sophistication and regulation and the proper implementation of privatisation policy. The researchers would like to take the view that the relationship between the two variables (privatisation and the capital market) is significant and we intend to test this by investigating the capital market in the state of Qatar and its role in the execution of privatisation policy.

1/7 Research Hypotheses:

Hypothesis 1: There is a significant relationship between the development of DSM and the availability of financial resources at the disposal of Qatari investors to buy shares in privatised Qatari public enterprises.

Hypothesis 2: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the simplicity of regulations and procedures followed by the DSM.

Hypothesis 3: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and partial offering of shares through DSM as a privatisation method.

Hypothesis 4: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the provision of the DSM for wide and fair chances for investors to buy shares.

Hypothesis 5: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the role of DSM in promoting saving and investment orientation among Qatari citizens.

Hypothesis 6: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the policies put by government to encourage investors in buying shares.

Hypothesis 7: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the information provided by DSM regarding the shares offered for sale.

Hypothesis 8: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the role of brokers in supplying information and marketing shares offered for sale.

Hypothesis 9: Privatisation of Q-Tel. provides a model for the rest of privatisation programme in Qatar.

1/8 Research Methodology:

The research followed the descriptive approach which aimed to describe the situation in reality, gather necessary information, classify them quantitatively and qualitatively in a way that could help establish the relationships between the variables in question in order to test the hypotheses and reach results. Primary data was collected through questionnaires administered to investors in Doha Securities Market. The researchers first developed the questionnaire and translated it into Arabic. A pilot survey was conducted on 20 investors at DSM who were conveniently obtained through personal contacts. The pilot survey provided useful insight into altering some questions and statements or adding more explicit instructions and explanations. The completion of the pilot survey provided the satisfaction that the questionnaire was able to solicit the data needed to accomplish the objectives of the research. The questionnaires were then distributed to a sample of 140 investors and 104 of which were completely elicited resulting in a 74% response rate.

Secondary data was gathered from publications by the Central Bank, Doha Securities Market and other relevant institutions. The quantitative analysis was made through the SPSS software. It was decided to use descriptive methods, Spearman Rank Correlation Coefficient and Reliability Tests.

1/9 Objectives of the Research:

This research aims to:

- Survey empirically the position of the stock (Doha Securities Market) market in the State of Qatar and investigate the role it has played or could play in the implementation of the government privatisation policy.
- Survey the opinion of investors regarding the contribution of DSM in the implementation of privatisation and the relevant parameters.

1/10 Importance of the Research:

No one would disagree with the observation cited in many corners of the world that privatisation has been, without dispute, the economic catch-phrase of the last two decades of the last century and will continue to be so in the twenty one century.

Some scholars associate privatisation very closely with globalisation, liberalisation and deregulation, all of which are gaining importance in a world which has advanced from the mechanical to the information era. All this requires more emphasis on efficiency, both productive and allocative, if the country is to survive in this atmosphere of global competition. The State of Qatar has been one of the leading Gulf sates in embarking on privatisation. This study gains importance from the fact it could help policy makers find their way in carrying out privatisation policy and seeing it through to its ultimate objectives of improving economic and social efficiency in the country. No doubt the capital market aspect of the policy is paramount if a smooth implementation is to be guaranteed. Moreover, the development of the capital market is and has always been top on the agenda of economic reform in the State of Qatar as has been reiterated time and again by policy makers.

1/11 The scope of the Research:

The research theme will focus on studying those aspects in the capital market (Doha Securities Market, DSM) which relate directly to privatisation such as provision of finance, regulatory framework, sale of equity, provision of advisory services and the like.

2/ Privatisation and the Capital Market:

Having defined the concept of privatisation in the previous section it may be sensible to start by giving a quick review of what we mean by capital markets. Hindi (1999) sees the financial market as composed of two types of markets; capital market and money market. The former is further divided into two, future option markets and spot or cash market. The cash market incorporates three sub-markets; organised markets (stock exchange), unorganised markets (brokers and banks), monopoly markets (treasury and central bank). According to Hindi the organised market, which is represented by stock exchange, deals mainly in long term securities (shares & bonds), where the exchange process takes place on the spot. The unorganised markets are mainly operated through scattered brokers and commercial banks and deal in securities as well. The monopoly markets are operated solely through the treasury and central bank offering certain types of government securities. Of these three components of the spot or cash markets this research will focus on the stock exchange, taking Doha Securities Market for the sake of empirical survey.

Shirely (1988) stipulates the creation and strengthening of the capital market as a precondition for the success of privatisation through public offering of shares. She goes on to indicate that developing countries with weak or non-existent capital markets have had to sell companies outright through private placements. This makes it harder to find buyers with sufficient capital. The public offering of shares can avoid the concentration of wealth and income that can result from private placement.

An other researcher Virnan (1992) expresses the opinion that the under-development of capital markets in less developed countries (LDCs) is a limiting factor and is often a major cause of failure. Equity in state enterprises must be easily marketable and one needs a sufficient sophisticated capital market with good depth to ensure such a feature. He goes on to stress the need to improve the capacity to mobilise savings in the national economy. The more we can depend on domestic sources of finance the better the results we can expect to achieve. To ensure a substantial likelihood of ownership dispersion on the widest possible scale, we obviously need greater depth in the local capital market considering the financial aspects of privatisation. Hemming & Mansour (1988) reviewing the constraints expected to face privatisation indicate that sources are often not available to finance privatisation or interested buyers may not be acceptable e.g. foreigners. This problem can, however, be addressed; indeed privatisation may itself be part of the answer insofar as it mobilises private capital, encourages local enterprise ownership and promotes risk sharing with the private sector.

Furthermore, spreading share ownership among a large number of small investors will not assure the strong guidance needed to turn a firm around. The purchasers of shares in state enterprises are likely to assume that the government is providing an implicit guarantee of their share value and indeed the government may feel obliged to intervene if the value falls.

Droko (1997) studying the experience of Sudan indicates that finance proved to be a serious obstacle to privatisation as capital market is still infant. The existing sources of finance are typically weak and poorly developed. The stock market is small and inadequately regulated, for most of the shares are traded by a small number of companies and rich individuals. Large investments in equity are unusual. The private and public banks show inability and unwillingness to finance purchasers of privatised public enterprises particularly large ones. This happens despite the fact that the private sector financial capacity is enormous (80% of which is estimated to be circulating outside the banking system in the underground economy) and significant part could come out if proper fiscal and monetary policies are followed.

Stevens (1994) looks at the financing situation in Arab world particularly the Gulf States, differently where he believes there is abundance of liquidity to finance the privatisation program. This region is particularly sensitive to foreign investment and the launch of privatisation is seen by many observers as the best way to bring back Arab capital to be invested in the domestic economy. However, we need not to be too optimistic and go too far in this direction based on the unpromising past experience of inter-Arab investment projects where rich Arab investors have shown unwillingness to invest in the region.

2/1 The Status of Capital Markets in the Developing Countries:

A lot of research contributions have highlighted the inefficiency and weakness of capital markets in developing countries, especially when it comes to their role in the implementation of the privatisation policy. Aoais (1993) commenting on the Egyptian privatisation experience indicates that the inadequacy of the capital market in Egypt is reflected in its inability to provide necessary money needed for the purchase of privatised enterprises' shares. However, the privatisation program could help in the development and expansion of the capital market. Moreover, there is a possibility of mobilising the hidden national income which is not reflected in the official statistics. A study by the writer conducted in the 1987 shows that the size of the hidden economy amounts to 50 billion pounds. Therefore, it could be said that the money to pay for the purchase of state enterprise shares is there, but needs to mobilised. It is worth-mentioning that since then the Egyptian capital market has witnessed significant development and is now considered as one of the most efficient and organised market in the Middle East.

Emphasising the reciprocal relationship between privatisation and development of capital markets, Hamid (1997) concludes that the experiences of Nigeria, Turkey and Egypt focus the attention on the possibility of developing and strengthening the capital market through the adoption and implementation of privatisation programs.

Stevens (1994) indicates that capital markets in developing countries are typically small and new. In Turkey, for example, Istanbul Stock Exchange has started operation in 1986 purposely to allow for the sale of privatised enterprises' shares, where 40 state companies were offered for sale but the demand was low.

Elsading et al (1995) reviewing the methods of privatisation have indicated that the sale of equity of privatised enterprises through the public offering of shares has demonstrated, in many cases, that the initial prices fixed for shares are usually low followed by a price increase in the closing, which implies that buyers of shares would achieve high capital gains. It is also worth-mentioning that the government would need to show necessary sensitivity given the immaturity of the capital market. An example of such sensitivity is to avoid offering government bonds with high interest, tax exemption and low risk for the investors who are likely to stay away from buying shares in the privatised enterprises. This point may give some weight to the argument that privatisation should be part of a comprehensive economic reform package which includes reducing the budget deficit and thereby the public sector borrowing requirement.

The developing economies have many potential institutional investors such as pension funds, insurance companies, social security funds...etc, which if manage to formulate appropriate investment strategies could play a more effective role in breathing life into the stock market. There is also a need for allowing the establishing of investment funds to mobilise savings and invest them in equity portfolios. These funds will make a significant contribution in the development of stock market and to the saving mobilisation efforts. In addition to these funds, the stock market would need financial service firms, which could offer their services to would-be investors to help them take informed investment decision.

These funds and firms greatly help in selling privatised enterprises by showing the need to retain these enterprises in operation, providing necessary funds to buy their shares, helping the formation of a secondary market for the exchange of these shares to make them easily convertible into cash and sufficiently attractive to hold.

Aylen (1987) sees the weakness of the capital market in developing countries as a major motive behind state ownership of enterprises in the first place. Yet capital markets have a crucial role to play in fostering any transfer of public enterprises to private ownership. He also believes that capital inflows from abroad can supplement domestic capital formation, but it is not realistic to suppose that direct investment will compensate for the failure of domestic equity markets. Capital markets mature as economies grow and personal savings rise as household incomes grow beyond subsistence level. A local banking system channels these funds towards the corporate sector. Institutional investors appear as insurance and pension provisions spread among an urban elite.

Hamour (1997) highlights some lessons that developing countries could take from the experiences of Britain, East Europe, Egypt, Morocco and the Gulf states as follows:

- The need to create and support a stock market, simplify its procedures and make public offering of shares of privatised enterprises through this market in a manner that determines the share price. Additionally enough attention should be given to the need for enlightening the public as to the importance and role of stock market in mobilising savings, both private and corporate, in a way that encourages people to buy shares and thereby spread share ownership.
- The need to develop the banking sector to be equipped enough to play a significant role in the privatisation process in various areas such as the

provision of finance, credit facilities, feasibility studies to rehabilitate public enterprises in preparation for sale and so on.

Heald (1990) indicates that capital markets in developing countries are not only thin and underdeveloped but often also rife with inside trading and other dubious practices. The privatisation of profitable enterprises might play a constructive role in the development of formal capital markets but this development is much more likely to take place in the context of a less glamorous floatations priced at as near market value as judgement permits with the aim of attracting financial institutions and specialist investors.

3/ Privatisation in the State of Qatar:

The government of the State of Qatar has approved privatisation as a public economic reform policy with the following strategic objectives in mind:

- Enhancing the rate of economic growth.
- Using proceeds of privatisation in financing new investments.
- Reducing the cost to the State of providing public services.
- Encouraging and promoting the private sector.
- Improving service quality.
- Reducing budget deficit.
- Overcoming recession in the economy.
- Attracting foreign investments.
- Encouraging Qatari and Gulf States' investors to bring back some of their money (estimated to be 400 billion US dollars) invested abroad to be channelled in the home economy.

- Facing the challenges of globalisation and international trade liberalisation.
- Increasing the contribution of the private sector in the GDP to exceed the existing rate of 25%-30%.

In addition to the large government investments in the areas of Oil & Gas and the infrastructure, the State of Qatar has ventured into other areas of investment with the objective of diversifying its sources of income and playing an entrepreneurial role to encourage the private sector in these areas. In a speech by the Deputy Minister of Finance and Economy (1996), the following points were highlighted with respect to privatisation:

* Privatisation and the Doha Securities Market (DSM): the DSM will significantly contribute in the sale of shares by providing relevant information and enlightening the public about the privatisation program. The market will also regulate trading and thereby protect the rights of investors.

However, the speech raised some concerns as to the methods and sources of financing the privatisation program. Table 1 shows the size of deposits in the banking sector (the main source for financing economic activities):

Table 1

The Size of Deposits in the Banking Sector

Year	Total Deposits
1992	18.2 billion QR
1993	18.7 billion QR
1994	18.9 billion QR
1995	19.9 billion QR
1996	22.5 billion QR
1997	24.6 billion QR
1998	27.1 billion QR

The ratio of loans to deposits in 1998 reached (27.1 billion QR). This may have implications for the financing requirements of the program, leaving us with two scenarios:

a- Existing shareholders sell their shares to buy shares in the privatised enterprises. In this case the investor has to weight the pros and cons of the two options. If the investor decides to sell, this will increase the supply of shares and thereby lead to drop in their prices. Alternatively investors will not be able to buy new shares and this may hamper privatisation.

b- Depositors withdraw their money from the banking sector to buy shares in the privatised enterprises thereby reducing the lending capacity of banks with possible negative implications for overall economic performance.

However, the ministry official noted that this problem of financing could be overcome if the program manages to convince investors in the traditional sectors, particularly real estate, to switch to stocks.

It is expected that the launch of the privatisation program will reverse the trend of investment in the above sector.

* **Privatisation and public services:** The government currently takes full responsibility for providing all public services using revenues generated by the oil sector and the government shareholdings in other investments. Therefore, the government has to find other sources in case it disposes off these investments. Also the government should be concerned about the position of the workforce and whether it can guarantee continuity of employment of Qatari citizens by the new owners.

* Privatisation and taxation: The suggestion that the government can impose business profit tax on privatised enterprises to compensate the lost revenues is questionable. The existing tax system (35%) may discourage investors if they discover that their after-tax earnings are not rewarding and they can get better returns by directing their capital to lower risk better yield investments, such as time deposits in the banks. This no doubt, requires that the tax regime should be sensitive to the complexities of the situation and take the above points into consideration.

* Privatisation and economic development: A question should always be raised regarding the intentions behind privatisation; is it intended to overcome the budget deficit or generate the money needed to establish a comprehensive development fund. The latter will be used to finance new

investments and part of the generated revenues can be used to finance the budget deficit and the balance to be reinvested to effect comprehensive development.

These remarks point to the fact that the State of Qatar would need to fashion its privatisation program to suit its goals rather than following blindly in the footsteps of others. They also emphasise the need to handle the privatisation policy within a comprehensive development perspective.

Al-Sulaiti (1998) indicates that the government of the State of Qatar is in process of offering for sale its shares in many companies with the intention of allowing the private sector to take a more significant role in economic activities. He goes on to emphasise the crucial role expected to be played by the DSM in the implementation of the privatisation policy. The DSM will publish a package of information relating to the companies offered for sale and other necessary information needed by the investors to make their investment decision and process their transactions.

Qatar Telecom (Q-tel.) was the first state owned enterprise to be privatised, though partially as the government still holds 51% of the shares. In a recent statement the Minister of Finance, Economy and Commerce, confirmed that the privatisation program will proceed as planned, and will include other companies covering other sectors. He also indicated that two companies are now being prepared for public offering of shares, namely Qatar Steel Company and Qatar Hotels Company. The selection of these two companies is based on the belief that they can be more successfully run by the private sector, which, in a sense , will enhance the prospects for the success of the privatisation program.

Debating the privatisation experience in the State of Qatar Abu Alfotooh (1998) holds the opinion that investment awareness and the desire to take part in economic activities are growing among Qatari citizens due to the conducive policy environment, which will definitely boost the privatisation process. She goes on to suggest candidate enterprises for privatisation classified as follows:

Category I: activities to be privatised through transfer of ownership to the private sector:

- Qatar Telecom.
- Electricity & Water
- Steel Industries
- Refining and Marketing of Oil Products
- Petrochemicals
- Processing Industries

Category II: activities to be partially privatised through management contracts:

- Ports
- Airport
- Sanitary Services
- Sport Clubs
- Municipality Services

Abu Alfotooh also conducted a survey to investigate the opinion of Qatari public towards privatisation. The results of the survey indicate that 90% of respondents support privatisation and 76% advocate partial privatisation through sale of equity, while 73% disagree with the idea of complete privatisation and transfer of ownership and control to the private sector. The survey also revealed that there is no popular support for the outright sale of public enterprises to private investors in the belief that this will further concentrate wealth in the hands of few families and individuals. The author concludes that the results of the survey indicate clearly that public offering of enterprise shares will be widely accepted by the Qatari public as it helps spreading share ownership and boosts the prospects for the growth of the capital market.

Al-Hamadi and Al-Sulaiti (1999) indicate that one major objective of the DSM is to facilitate the smooth and efficient transfer of ownership of equity from the public to the private sector and thereby expand the base of investors in the country.

Abu Alfotooh (1998) elaborates on privatisation in Qatar by indicating that privatisation as a reform policy was adopted in many third world countries not as deliberate measure to restructure their national economies, but rather as a response to pressures exerted by the industrial creditor nations, which aim to enhance their competitive standing in those markets, or as a solution imposed by international financial institutions to rectify the financial problems of those economies. However, in the case of Qatar neither point apply which leaves a large number of options for the policy maker to adopt privatisation as one ingredient of a comprehensive development strategy. Again this distinguishes the Qatari experience and adds a new dimension to the privatisation debate in developing countries namely, that countries do not contemplate privatisation only as a rescue mission to relieve the government of the burden created by the public sector and effect some kind of restructuring, but rather as one of many options deliberately adopted within a package of economic policies aimed at improving the growth prospects of the national economy and in response to changing economic environment both locally and internationally to ensure a high level of competitiveness.

4/ Doha Securities Market (DSM):

4/1 Historical Background:

The DSM was estabiished in 1995 as per legislation issued the same year under the number 14, but came into actual operation on 26.5.1997. The market was created with the main objective of regulating exchange of stocks in the country. It replaces the unofficial market which used to exist where a small number of brokers handle the trading process. The DSM is a public agency under the direct supervision of the Minister of Finance.

4/2 Regulatory Set Up:

The DSM is governed by a set of regulations developed by a committee made of eleven members and chaired by the Minister of Finance. Following are the main rules and regulations:

1. Trading is executed through open floor system with electronic back office.
2. The main index is the DSM weighted index.
3. Seven broker companies including three banks are licensed to trade in the DSM. Issuing extra licenses is subject to the approval of the market committee.
4. Qatari citizens only are allowed to trade. (However, the government has recently decreed that non-Qataris are allowed to invest in the shares of newly established companies).
5. The upper limit of daily increase is 10%.
6. Future trading is not allowed.
7. Insider dealing is prohibited by law.
8. Listed companies have to conform to international accounting standards.

4/3 Operational Overview:

- The capacity of DSM is reflected in the number of listed companies which reached 21 companies on the first of April 2000, with a combined market capitalisation of a little more than 20 billion Qatari Riyal and an average daily value of trade amounting to 405 million Qatari Riyals as on August 1999. The most heavily traded shares are those of the banking sector.
- The strengths of the DSM are manifested in the following:

- Highly organised market.

- Transparency of dealing.

However, the DSM is facing some threats such as limited liquidity and high interest rates. But the market is also expected to utilise opportunities reflected in the expected listing of two new companies bringing the total number of listed companies to 22 in addition to the recent government decree to allow the creation of mutual funds in which non-Qataris will be allowed to invest.

* The main factors with a positive effect on share prices since January 1998 include:

- Share prices were undervalued.
- Good profits by listed companies.
- Transparency.

The factors that are expected to have positive impacts on share price over the next 12 months include:

- Increase in oil prices.
- Continued good performance by the listed companies.
- Allowing non-Qataris to invest in the DSM.
- Listing of new companies.

• The main factors with negative effects on share prices since January 1998 include:

- Drop in oil prices.
- High interest rates.
- Limiting trading to Qatari citizens.

The factors that may negatively affect share prices over the next 12 months include:

- High interest rates on deposits
- Unexpected fluctuations in oil prices.

- The internal changes planned over the next 12 months include:

- Introduction of electronic trading.
- A new company law which is expected to allow non-Qataris to invest in the market through mutual funds.
- Linking the central registration system in the DSM with the shareholders' departments in the listed companies.

4/4 Organisation Structure:

At the top of the DSM structure comes the market committee chaired by the Minister of Finance, followed by the chief executive cum deputy chairman of the committee. At the middle line the structure consists of six departments:

- Brokers & Exchange Department.
- Central Registration Department.
- Information & Public Relations Department.
- Computer Department.
- Auditing, Control & Inspection Department.
- Financial & Administrative Affairs Department.

Each department consists of two or more sections which are designed to help the department managers do their assigned duties in an efficient manner.

4/5 Objectives of the DSM:

The law establishing the DSM and its internal by-laws state the following as the main objectives of the market:

1. Allowing for the investment of savings in securities in a manner that benefits the national economy.
2. Assisting in the development of the financial market to boost economic development prospects.
3. Developing necessary methods and procedures for dealing in securities in a way that ensures proper handling of transactions in addition to providing necessary protection for those dealing in the market.
4. Encouraging establishment of new companies as well as developing and regulating the issue of securities in the primary market and determining the requirements to be met when offering securities for the public.
5. Registering new securities in the market and speeding up the conversion of securities into liquidity along with allowing supply and demand forces to determine the prices, in addition to protecting small investors through the establishment of proper procedures for completing transactions.

6. Transparency and honesty in finalising transactions by following a policy whereby listed companies should disclose all necessary information to enable the investor to take his decision on informed bases.
7. Issuing bulletins and reports containing information about prices of shares on daily, weekly, monthly, quarterly and yearly bases, in addition to other types of information necessary to enlighten investors about the financial position of listed companies and disseminating these information through the media.

5/ Statistical Analysis

5/1 Reliability Test:

The results of the reliability (Gronbach's Alpha) test are summarised in Table (2). A Likert scale used in this study for measuring the variables concerning the objective of privatisation, requirements for success of privatisation, privatisation methods, constraints to privatisation, operating efficiency of DSM, external efficiency of DSM, and privatisation of Q-tel. The scale show an internal Alpha Reliability Coefficient of .72, .75, .70, .76, .80, .70, and .83 respectively. According to Davis and Cosenza (1988, pp. 154) these results are acceptable since they are above the cut-off point of 70%. This test is based on the assumption that the items share a positive correlation because they are measuring a common entity. Gronbach's Alpha is read as a correlation coefficient of potential values from 0 to 1. The higher the average correlation of an item with all other items in the scale, the higher the Alpha and therefore, the more homogenous and reliable the scale item are (Norusis, 1996).

Table 2
Results of the Reliability Test

Variables	Gronbach's Alpha
Objective of privatisation	.72
Requirement for success of privatisation	.75
Privatisation methods	.70
Constraints to privatisation	.76
Operating efficiency of DSM	.80
External efficiency of DSM	.70
Privatisation of Q-tel.	.83

5/2 Description of the Study's Variables:

The purpose of this part of the research was to provide a descriptive analysis on the response patterns for sets of variables that have received a comprehensive investigation in this research.

5/2/1 The General Information and Demographic Variables of the Sample:

Sample characteristics appear in Table 3. The distribution of the respondents by type of investor shows that 28.5% of the respondents were ordinary investors, 32.7% were speculators and the rest were gamblers. Khababa et al (1998) have distinguished the three types of investors on the basis of length of time during which they keep the shares. The gambler holds the shares for one month or less, the speculator holds the shares for a period ranging between one and six months and the investor keeps the shares for more than six months. Approximately half of the sample (51.9%) prefer to invest in the banking sector and almost two thirds of the respondents (67%) preferred investment in securities rather than time deposits. 86% of the total respondents are in the median age category (20-40) years group. In terms of the level of education, the respondents were considered highly educated, almost 80% of the sample were holding B.Sc. and postgraduate qualification. The categories of the total monthly income of the respondents ranged from QR. 3,000 to QR. 12,000. Around two thirds of the sample (61.6%) had a monthly income of less than QR. 9,001.

Table 3

Summaries of the General Information and Demographic Variables of the Sample

Characteristics	Number	%
Type of Respondent:		
Investor	40	38.5
Speculator	34	32.7
Gambler	30	28.8
Total	**104**	**100**
Preferred Investment Sector:		
Banking	54	51.9
Insurance	14	13.5
Services	6	5.8
Industries	14	13.5
Banking & Services	8	7.7
All Sectors	8	7.7
Total	**104**	**100**
Preferred Investment Type:		
Shares	70	67.3
Time Deposits	30	38.8
Both	4	3.8
Total	**104**	**100**
Age:		
Less than 20 Years	0	0
20-30 Years	50	48.1
31-40 Years	40	38.5
41-50 Years	14	13.5
Over 50 Years	0	0
Total	**104**	**100**
Level Of Education:		
Uneducated	2	1.9
High School	20	19.2
Bachelor (B.Sc.)	66	63.5
Postgraduate Qualification	16	15.5
Total	**104**	**100**
Income:		
Less than QR. 3,000	0	0
QR. 3,000-QR. 6,000	32	30.8
QR. 6,001-QR. 9,000	32	30.8
QR. 9,001-QR. 12,000	27	26.0
More than QR. 12,000	13	12.5
Total	**104**	**100**

5/2/2 Objective of Privatisation

As Table 4 shows respondents were generally agreeing with almost all statements regarding objectives of privatisation. Privatisation improves enterprise productivity and develops Doha Securities Market ranked first and second respectively.

Table 4

Objectives of Privatisation

Statement	SD	D	A	SA	Mean Score	S.D	Rank
Improving enterprise productivity	3.8	0	46.2	50	3.42	.692	1
Development of Doha securities market	3.8	1.9	50.0	44.2	3.35	.707	2
Reducing budget deficit	5.8	9.6	55.8	28.8	3.07	.784	5
Providing extra responses for the government to perform other duties	1.9	9.6	55.8	32.7	3.19	.684	4
Promoting saving and investment awareness among Qatari citizens	1.9	9.6	46.2	42.3	3.29	.720	3

SA= Strongly Agree 4, A= Agree 3, D= Disagree 2, SD= Strongly Disagree 1, S.D.= Standard deviation

5/2/3 Requirements for Success of Privatisation:

Table 5 exhibits the response of the respondents in terms of the requirements for success of privatisation. The calculated means indicate that Doha Securities Market is capable of contributing towards the implementation of privatisation (3.23) and economic policies adapted by the government will help growth of the private sector (3.14) rank first and second.

Table 5
Requirements for Success of Privatisation

Statement	SD	D	A	SA	Mean Score	S.D	Rank
Economic policies adopted by the government will help growth of the private sector	5.8	5.8	57.7	30.8	3.14	.764	2
Doha securities market is capable of contributing towards the implementation of privatisation policy	1.9	11.5	48.1	38.5	3.23	.727	1
The government privatisation policy is transparent	1.9	26.9	53.8	17.3	2.87	.711	4
There is enough technical and administrative resources for the preparation of the privatisation programme	1.9	26.9	50.0	21.2	2.90	.744	3
The Qatari investors have enough financial resources to buy shares of PEs to be privatised	7.7	26.9	44.2	21.2	2.79	.867	5

SA= Strongly Agree 4, A= Agree 3, D= Disagree 2, SD= Strongly Disagree 1, S.D.= Standard deviation

5/2/4 Privatisation Methods:

Respondents were asked to show their agreement or disagreement towards the privatisation methods. The results indicate that more than three quarters of the respondents (86.6%) believed that partial offering of shares through Doha Securities Market (with 3.29 mean score) is the best method of privatisation for public enterprises. Whereas, more than half of the respondents (55.7%) did not agree with selling part of the enterprise to foreign investors (with 2.27 mean score) as a good method of privatisation (see Table 6).

Table 6
Privatisation Methods

Statement	SD	D	A	SA	Mean Score	S.D	Rank
Partial offering of shares through DSM	3.8	9.6	40.4	46.2	3.29	.797	1
Direct placement of shares to private investors	5.8	37.7	42.3	19.2	2.75	.833	2
Management/workforce buyout	15.4	48.1	26.9	9.6	2.31	.848	4
Leasing or management contracts	13.5	44.2	32.7	9.6	2.39	.840	3
Selling part of the enterprise to foreign investors	28.8	26.9	32.7	11.5	2.27	1.01	5

SA= Strongly Agree 4, A= Agree 3, D= Disagree 2, SD= Strongly Disagree 1, S.D.= Standard deviation

5/2/5 Constraints to Privatisation:

The following Table presents the statistical results for statements relating to constraints to privatisation. As the Table shows respondents believe that the most significant constraints to privatisation are lack of administrative and technical resources (ranked first), lack of sufficient financial resources at the disposal of investors (ranked second) and lack of interest on the part of investors (ranked third). On the other hand, 42.3% of the respondents said that inefficiency of Doha Securities Market will not harm the public offering shares.

Table 7
Constraints to Privatisation

Statement	SD	D	A	SA	Mean Score	S.D	Rank
Lack of administrative and technical resources will hamper implementation of the policy	1.9	17.3	42.3	38.5	3.17	.781	1
Inefficiency of DSM will not allow public offering of shares	7.7	34.6	40.4	17.3	2.67	.853	6
Lack of interest on the part of investors will harm the policy	5.8	11.5	51.9	30.8	3.08	.809	3
Lack of sufficient financial resources at the disposal of investors will jeopardise implementation of privatisation	1.9	11.5	61.5	25.0	3.09	.661	2
Lack of faith among investors regarding the prospects of enterprises to be privatised	1.9	28.8	30.8	38.5	3.06	.868	4
It is easy to handle the social fallout from privatisation	5.8	26.9	5.8	11.5	2.73	.740	5

SA= Strongly Agree 4, A= Agree 3, D= Disagree 2, SD= Strongly Disagree 1, S.D.= Standard deviation

5/2/6 Operating efficiency of Doha Securities Market (DSM):

Respondents were asked to indicate their opinions regarding operating efficiency of DSM. The calculated means show that allowing non-Qatari investors to deal in DSM will help implementation of the privatisation policy (96%), the DSM provides wide and equal chances for investors to buy shares (88.5%) and the DSM plays an important role in promoting savings and investments orientation among Qatari citizens (86.5%) ranked first, second and third respectively. Results also indicate that 44.2% of the respondents were dissatisfied with the time allowed for exchanges in the dealing room (see Table 8).

Table 8
Operating Efficiency of DSM

Statement	SD	D	A	SA	Mean Score	S.D	Rank
The regulations and procedures followed by the DSM are simple	3.8	26.9	40.4	28.8	2.94	.846	5
The DSM provides wide and fair chances for investors to buy shares	1.9	9.6	46.2	42.3	3.29	.720	2
Allowing non-Qatari investors to trade will contribute towards implementation of the privatisation policy	1.9	1.9	26.9	69.2	3.64	.624	1
The DSM plays an important role in promoting saving and investment orientation among Qatari citizens	3.8	9.6	50.0	36.5	3.19	.764	3
The time allowed by the DSM for handling transactions is adequate	3.8	19.2	44.2	32.7	3.06	.822	4
The government policies encourage investors to buy shares	9.7	21.4	35.9	33.0	2.92	.967	6
The time allowed for exchanges in the dealing room is insufficient	17.3	38.5	25.0	19.2	2.46	.994	7

SA= Strongly Agree 4, A= Agree 3, D= Disagree 2, SD= Strongly Disagree 1, S.D.= Standard deviation

5/2/7 External Efficiency of Doha Securities Market (DSM):

Respondents were asked to indicate their opinions regarding the external efficiency of the DSM. Approximately 80% of the total sample agreed that the DSM provides adequate information with respect to the shares offered for sale, almost three quarters of the sample believe that the DSM is the main source of information relating to shares, and 77% of the respondents said that the information provided by the DSM are easily accessible, comprehendible and usable (see Table 9).

Table 9
External Efficiency of DSM

Statement	SD	D	A	SA	Mean Score	S.D	Rank
The DSM provides adequate information with respect to the shares offered for sale	3.8	15.4	44.2	36.5	3.14	.813	1
The DSM is the main source of information relating to shares	5.8	25.0	34.6	34.6	2.98	.914	2
The information provided by the DSM are easily accessible, comprehendible and usable	5.8	17.3	51.9	25.0	2.96	.812	3
The experience of Q-Tel shows the ability of the DSM to supply necessary information relating to the PEs to be privatised	9.6	25.0	51.9	13.5	2.69	.825	5
Brokers play a significant role in supplying information and marketing shares offered for sale	9.6	19.2	36.5	34.6	2.96	.965	3
More often I get the information about shares from relatives and friends	17.3	28.8	30.8	23.1	2.60	1.03	6

SA= Strongly Agree 4, A= Agree 3, D= Disagree 2, SD= Strongly Disagree 1, S.D.= Standard deviation

5/2/8 Privatisation of Q-Tel:

The following Table presents the statistical findings of respondents' opinions relating to the privatisation of Q-Tel. Results indicated that they were dissatisfied with all statements regarding Q-Tel privatisation and the calculated means were low among them.

Table 10
Privatisation of Q-Tel

Statement	SD	D	A	SA	Mean Score	S.D	Rank
The experience of Q-Tel is considered as privatisation success story	26.9	38.5	17.3	17.3	2.30	1.04	3
The price fixed for Q-Tel shares was reasonable and profitable	42.3	44.2	9.6	3.8	1.75	.785	6
The DSM has significantly contributed in the privatisation of Q-Tel	15.4	13.5	50.0	21.2	2.77	.958	1
The issue bulletin of Q-Tel provides sufficient information for investment decision making	17.3	23.1	48.1	11.5	2.54	.913	2
The privatisation of Q-Tel could be used as a model for rest of the government privatisation programme	21.2	46.2	25.0	7.7	2.19	.860	4
The performance of Q-Tel has improved following privatisation with positive implications for the share price	38.5	46.2	11.5	3.8	1.81	.789	5

SA= Strongly Agree 4, A= Agree 3, D= Disagree 2, SD= Strongly Disagree 1, S.D.= Standard deviation

5/3 Testing Hypotheses:

Hypothesis 1: There is a significant relationship between the development of DSM and the availability of financial resources at the disposal of Qatari investors to buy shares in privatised Qatari PEs.

This hypothesis is tested by the technique of Spearman Rank Correlation Coefficient. The correlation coefficient show a positive value of .4622 indicating a positive relationship between the development of DSM and the availability of financial resources at disposal of Qatari investors to buy shares in privatised Qatari PEs. The relationship was statistically significant with a P-value of 0.001 which is below the cut-off point at 5% significant level. The hypothesis therefore is accepted (see Table 11)

These results are in line with the findings of Stevens (1994) who studied the financing situation in the Arab world, particularly the Gulf States, and reached the conclusion that there is abundance of liquidity at the disposal of citizens of these States to finance the privatisation programme. However, the result contradicts the findings of many other researchers' (Hemming & Mansour 1988, Shirely 1989, Droko 1997) who consider the low income level and weak savings to be major constraints for privatisation in developing countries. but we have to put this contradiction in perspective as the Gulf States, Qatar included are characterised by high per capita income because of their earnings from the production of oil.

Table 11

Spearman Correlation Coefficient for the Relationship Between the Development of DSM and the Availability of Financial Resources of the Disposal of Qatari Investors to Buy shares in privatised Qatari PEs

Statement	Development of DSM	
	Correlation	Significance*
Availability of Financial resources at disposal of Qatari investors to buy shares in privatised Qatari PEs	.4622	.001
* = Significant at less or equal .05		

Hypothesis 2: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the simplicity of regulations and procedures followed by the DSM.

The results of a Spearman Rank Correlation Coefficient show a strong relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the simplicity of regulations and procedures followed by the DSM. The relationship was positive with a value of .4376 and a P-value of .005 which is below the cut-off point of 5% significance level. The hypothesis therefore is accepted (see Table 12).

These results obviously contradict the findings of many researchers' who studied the status of capital markets in LDCs and their role in the implementation of privatisation policy (Aoais 1993, Hamid 1997, Stevens 1994 and Heald 1990) who concluded that capital markets in many developing countries are weakly structured and poorly regulated that they can not significantly contribute towards the implementation of the privatisation programme.

Hypothesis 3: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and partial offering of shares through DSM as a privatisation method.

The analysis of Spearman rank correlation coefficient reveals that there is a positive significant relationship at .05 significance level between the capability of DSM to contribute towards the implementation of privatisation policy and partial offering of shares through DSM as a privatisation method. The correlation coefficient was .5278 with a P-value of .000 which is below the cut-off point at 5% significance level. The hypothesis is therefore accepted (see Table 12).

The analysis results agree with the conclusion reached by abu Alfotooh (1998) who conducted a survey to investigate the opinions of Qatari citizens towards privatisation and found out that 76% of the respondents advocate privatisation through partial offering of equity, and 73% disagree with the idea of ownership and control to the private sector. This method of privatisation is widely mentioned in the literature but the results show its superiority among Qatari respondents relative to other methods.

Hypothesis 4: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the provision of the DSM for wide and fair chances for investors to buy shares.

The above hypothesis is tested by Spearman Rank Correlation Coefficient test. The result demonstrates a significant positive relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the provision of the DSM for wide and fair chances for investors to buy shares. The relationship was statistically significant with a P-value of .004. Therefore hypothesis is also accepted (see Table 12).

This result agrees with what Viravan (1992) refers to as the need for equity in state enterprises to be easily marketable in order to ensure a substantial likelihood of ownership dispersion on the widest possible scale and to improve the capacity to mobiles savings in the national economy.

The result also goes in line with what Shirely (1988) suggests that allowing equal chances for the public to buy shares rather than private placement can avoid the concentration of wealth and income, and the argument by Key and

Thompson (1986) that capital markets allow for the divestment of public enterprises to be made through public offering of shares, which provides a better chance for small investors and the spread of ownership among the people.

Hypothesis 5: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the role of DSM in promoting saving and investment orientation among Qatari citizens.

The Spearman Rank Correlation Coefficient test shows that a statistically significant positive relationship (.6515) also exists between capability of DSM to contribute towards the implementation of privatisation policy and the role of DSM in promoting saving and investment orientation among Qatari citizens. The relationship was statistically significant at (.000) level of significance. Therefore, hypothesis is accepted (see Table 12).

This result goes in line with what Hemming and Mansour (1987), Key and Thompson (1986) and Heald (1985) mention as a major objective of privatisation, that is, helping development and strengthening of the capital market and bringing in new investors and improving savings mobilisation boots growth prospects in the economy. Result also agrees with the argument by Viravan (1992) that the capacity to mobilise savings in the national economy is a prerequisite for the success of privatisation and that capital markets can improve this capacity as the more the economy can depend on domestic sources the better the results it is expected to achieve.

Hypothesis 6: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the policies put by government to encourage investors in buying shares.

This hypothesis is tested the Spearman Rank Correlation Coefficient test. The result indicates a positive (.6197) relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the policies put by government to encourage investors in buying shares at ($P < .05$) level of significance. The hypothesis therefore accepted (see Table 12).

This result agrees with many arguments put forward to support the need for conductive government policies to ensure a proper implementation of privatisation (Shirely 1988, Hemming and Mansour 1987). The result also agrees with the argument made by Elsadig et al (1995) that the government would need to show necessary sensitivity to encourage people to buy shares such as avoiding offering of government bonds with high interest rate and low risk to drive people away from buying shares in the privatised enterprises. The findings of Abu Alfotooh (1998) also support the findings of this research, that investment awareness and the desire to take part in economic activities is growing among Qatari citizens due to the conductive policy environment.

Hypothesis 7: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the information provided by DSM regarding the shares offered for sale.

As can be seen from Table 12 below, a positive significant relationship at $P < .05$ was observed between the capability of DSM to contribute towards the implementation of privatisation policy and the information provided by DSM regarding the shares offered for sale. The hypothesis is therefore accepted.

This result goes in line with the objective set for the DSM in its establishment act (1995) which stresses transparency and honesty through following a policy whereby listed companies should disclose all necessary information to enable the investor to take his decision on informed bases, in addition to issuing reports containing information about prices of shares on regular bases as well as other types of information necessary to enlighten investors about the financial position of listed companies. The result also agrees with the international experience which stipulates transparency as cornerstone (Shirely, 1988) and the argument by Hemming and Mansour (1988) that stock markets are developed not because the value and number of shares traded are large but also because of the sophistication of information, analysis and regulation is high.

Hypothesis 8: There is a significant relationship between the capability of DSM to contribute towards the implementation of privatisation policy and the role of brokers in supplying information and marketing shares offered for sale.

The above hypothesis is tested by the Spearman Rank Correlation Coefficient test. From the correlation in Table 12, one could notice that the capability of DSM to contribute towards the implementation of privatisation policy was highly associated with the role of brokers in supplying information and marketing shares offered for sale at a significant level of $P < .05$. The hypothesis is therefore accepted.

This result agrees with the point highlighted by Elsadig et al (1995) that the stock market would need financial service firms, which could offer their services to would-be investors to help them take informed decisions.

Table 12

Spearman Correlation Coefficient for the Relationship Between the Capability of DSM to Implement Privatisation Policy and Other Variables Related to Privatisation Method, Operating and External Efficiency of DSM

Statement	DSM Capable to implement Privatisation Policy	
	Correlation	Significance*
Simplicity of regulations and procedures followed by the DSM	.4376	.005
Partial offering of shares through DSM as a privatisation method	.5278	.000
The provision of the DSM for wide and fair chances for investors to buy shares	.4417	.004
The role of DSM in promoting saving and investment orientation among Qatari citizens	.6515	.000
The policies put by government to encourage investors in buying shares	.6197	.000
The information provided by DSM regarding the shares offered for sale	.6088	.000
The role of brokers in supplying information and marketing shares offered for sale	.4541	.003
* = Significant at less or equal .05		

Hypothesis 9: Privatisation of Q-tel. provides a model for the rest of privatisation programme in Qatar.

Result of a Descriptive Method show a score mean of 2.19 out of 4.00 for the above variable. (see Table 10). Therefore, the hypothesis is rejected. One explanation for this result is the belief among investors that Q-tel.'s shares were overvalued when offered for sale as manifested in Table (10) and the drop of share prices that took place immediately after flotation. This runs counter to the international experience as indicated by Elsadig et al (1995) who argued that the initial prices fixed for shares are usually low followed by a price increase in the closing, which implies that buyers of shares would achieve high capital gains. However, the idea of starting the privatisation programme in the State of Qatar with this public enterprise, whose return on capital employed is 48% (as indicated in the Q-tel. financial report for 1999), is justified and goes in line with the argument by Heald (1990) that the privatisation of profitable enterprises might play a constructive role in the development of formal capital market.

6/ Conclusions:

Analysis of the results reveals the following points:

1. simplicity of regulations and procedures followed by the DSM is paramount to the investor and should greatly enhance its ability to contribute towards the implementation of privatisation in the State of Qatar. Officials in the DSM have to pay much more attention to this aspect and keep their rules in continuous check for further refinement and improvement.
2. Partial offering of shares, rather than wholesale privatisation of PEs, seems to represent the opinion of Qatari investors, in the belief that it will avoid the concentration of wealth in the hands of the few. The government policy makers are strongly advised to place special emphasis on this method of privatisation.

3. The Qatari investors have enough financial resources to buy shares in the enterprises to be privatised and this will greatly help the privatisation process, provided that the government adopts necessary policies to encourage investors to hold shares.
4. The DSM provides an effective tool for implementing the privatisation policy as the investors have confidence that it offers them equal chances to hold shares in the privatised enterprises.
5. Offering of shares of privatised enterprises through DSM will facilitate saving mobilisation and raising investment awareness among Qatari citizens. The government has to make use of this situation by pushing through its privatisation programme and further strengthen the DSM.
6. Creating a conductive policy environment is a major contributor to the success of privatisation as it encourages people to invest in equity of the privatised enterprises. Further efforts are needed on the part of government to solidify the positive opinion investors have about government policies.
7. Information play a significant role in investment decision making and the DSM is perceived by investors as doing a good job in this regard. The DSM officials are advised to build on that and further develop their information infrastructure making more use of the media and the information technology.

8. The role of broker in the DSM dealings is vital. The DSM would need to introduce necessary quality control measures to promote performance of brokerage companies.
9. The lesson to be taken from the experience of Q-tel. is that the prices of shares of the privatised enterprises should be fixed on realistic bases with an eye on attracting investors to buy shares with all the implications that follow for the development of both the DSM and the privatisation programme.

7/ Recommendation for Further Study:

This study has focused on investigating the opinion of Qatari investors regarding the contribution of DSM in the implementation of privatisation in Qatar. However, further research is needed to examine the role of foreign investors in the development of privatisation in Qatar.

References (English):

Aylen, J. (1987). "Privatisation in Developing Countries". Economic Impact, Issue No. 60, A Quarterly Review of World Economics.

Davis, D. and Cosenza, R. (1988). Business Research for Decision Making, 2nd. Edition, Boston: PWS-Kent Publishing Company.

Dewalle, N. (1989). Privatisation in Developing Countries: A review of the Issues". World Development, Vol. 17, NO. 5.

Droko, J. (1997). "The Sudanese Privatisation Experience". Unpublished M.Sc. Thesis, University of Gezira, Sudan.

Financial Statements of Q-tel. (1999). Doha: Q-tel.

Frydman, R. and Rapaczynski (1993). "Privatisation in East Europe". Finance and Development, June 1993.

Heald, D. (1990). "The Relevance of Privatisation to Developing Economies". Public Administration and Development, Vol. 10, No. 5.

Heald, D. (1985). "Will the Privatisation of PEs Solve the Problem of Control". Public Administration, Vol. 63.

Hemming, R. and Mansour, A. (1988). "Is Privatisation the Answer". Finance 7 Development, Sept. 1988.

Hemming, R. and Mamsour, A. (1987). "Privatisation and Efficiency". Economic Impact, A Quarterly Review of World Economics, Vol. 4. No. 60.

Key, J. and Thompson, D. (1986). "Privatisation: a Policy in Search of a Rationale". The Economic Journal, 96, March, 1986.

Musa, E. (1991). Privatisation the Less Developed Countries: The case of Sudan". Journal of African Administrative Studies, CAFRAD, MOROCO.

Norusis, M. (1996). SPSS Professional Statistic, 6.1, Chicago: SPSS Inc.

Shirely, M. (1988). "The Experience With Privatisation". Finance and Development.

Shirely, M. (1989). "The Reform of Public Enterprises: Lessons From the World Bank Lending". The World Bank, Washington.

Stevens, P. (1994). "Privatisation Programs in the Arab World: Expectations Versus Reality". In Niblock, T. and Murphy, E. (ed.), Economic and Political Liberalisation in the Middle East, British Academy Press.

Viravan, A. (1992). Privatisation, Financial Choices and Opportunities". Occasional Paper, International Center for Economic Growth.

المراجع العربية :

آدم مهدي أحمد (1998)، الخصخصة مفاهيم وتجارب، الناشر الشركة الإعلامية للطباعة والنشر، مصر.

إبراهيم محمد عويس (1993)، "التجربة المصرية في تحويل القطاع العام للقطاع الخاص". مجلة المجال، القاهرة.

ميرغني حمور (1997)، "الخصخصة أو تحويل ملكية المؤسسات العامة إلى القطاع الخاص". إدارة المؤسسات العامة وخصخصتها: دراسة نظرية وتطبيقية". العالمية للطباعة والنشر، قطر.

منير هندي (1999)، أدوات الاستثمار في أسواق رأس المال، الناشر المكتب العربي الحديث، الإسكندرية.

علي توفيق الصادق وآخرون (1995)، "التخصيص في إطار التنمية: القضايا والمضامين". في كتاب جهود ومعوقات التخصيص في الدول العربية (تحرير د. علي وآخرون)، صندوق النقد العربي، أبو ظبي.

فريدة علي أبوالفتوح (1998)، "الخصخصة في دولة قطر بين النظرية والواقع". ورقة قدمت في ندوة معهد التنمية الإدارية بقطر عن الخصخصة والإدارة العامة، الدوحة.

غانم محمد الحمادي و خالد إبراهيم السليطي "الأسواق المالية تساعد في تسهيل عملية الاستثمار". صحفية الشرق 3\11\1999.

خالد إبراهيم السليطي "تقييم أصول الشركة لتحديد السعر الواقعي". صحيفة الراية 6\10\1998.

يوسف كمال (1996)، "خطوط عريضة حول الخصخصة، أفكار وتساؤلات". كلمة وكيل وزارة المالية في ندوة توجهات وأفاق الخصخصة بدولة قطر، غرفة تجارة وصناعة قطر.

عبد الله بن صالح الخليفي (1996)، "سوق الأوراق المالية ودورها في تنشيط عملية الخصخصة". ورقة قدمت بندوة توجهات أفاق الخصخصة بدولة قطر، غرفة تجارة وصناعة قطر.

نور الدين خبابة، عبدالقادر محمد أحمد، عبد الرحمن الحماد (1998)، "مقومات الاستثمار في سوق الأوراق المالية السعودي". مجلة الإداري، العدد 73، يوليو.