

PRIVATIZATION MIRAGE IN IRAN: INFLUENCE ON IMPROVEMENT OF EFFICIENCY OF INSURANCES BRANCHES?

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ABSTRACT

Increase of efficiency is one of the aims of privatization in a way that in Iran also, privatization of governmental enterprises to the aim of efficiency has gained huge concern from the system soon after notification of general policies of the Principle 44 of the Constitution.

However the private enterprises work efficiently? To answer the question, following a SFA approach, a number of insurances branches in Tehran including private insurances and a state –owned insurances were measured in terms of their efficiency just before and after privatization in accordance with the law on following the general policies of the 44th principle. The findings show that the performance of the whole range of the private branches, compared to that when they were part of public sphere, was less efficient. These branches also were the most efficient when they were publicly owned. There is, therefore, no direct cause –effect relationship between privatization and efficiency, and still some inefficient private businesses, at least remain in the economy system. Thus, the only alternative to making the public enterprises efficient is not made possible by the privatization of these businesses.

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