Discussion of
“Whence the Privatized Firm Dividend Premium?”
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Background and Contribution

• The paper provides further insight into the “dividend puzzle” literature

• Literature suggests life cycle theory, signalling theory, agency theory as possible explanation for the dividend payout by different firms

• This paper addresses the question with reference to privatized firms

• Cross country study (26 countries) across 21 years

• Compares the payout policy of privatized firms before and after privatization and with non-privatized firms
The Paper

• Dividends payout is higher for firms after privatization as compared to non-privatized firms

• The determinants of the higher payout for privatized firms are
  – performance measures
  – Insider ownership (agency cost mitigation)

• Factors like level of development of the economy and legal framework of the country are important
Characterization of the Privatized Firms

• Characteristics of the firms prior to privatization
  – Monopolies

• Characteristics of the firms post privatization
  – Whether affiliated to any group
Industry and Year Fixed Effects

• Sectoral and Industry effect doesn’t have any role

• Matching of firms on the basis of Industry

• Different Country had reforms in different periods

• Period of privatization coinciding with the reform period may have implications for the dividend policy
Inclusion of Regulated Industries

• The interesting results tend to come when the regulated industries are included as discussed in Appendix 5 a and b

• Regulated industries would be expected to have higher earnings and perceived higher value and when it gets listed this value gets realized, which in turn increases dividends
Methodology

• Random Effects Model
• Difference in Difference
• Possible endogenity in the model as privatization also leads to increased earnings, efficiency etc.
• Problem of multicollinearity with many interaction terms
Thank you