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