

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Jan Picálek
Advisor:	Mgr. Aleš Čornanič
Title of the thesis:	State ownership and ownership concentration as determinants of dividend policy

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

The author independently collects extensive dataset of EU companies in order to inspect effects of state and concentrated ownership on a company's dividend policy measured by either dividend payout ratio or occurrence of dividend payments in the respective fiscal year. The work of the student is well-motivated by lack of the empirical evidence in case of EU markets.

Methods

After compilation of the sample, the author proceeds with estimation of a model searching for a relation between ownership-related factors and dividend policy when controlling for relevant factors (such as leverage, size, growth prospects or industry) well inspired by the existing literature. The author decides to inspect the ownership-dividend policy effect by two means – panel data analysis, and probit model. For the former, the author chooses random effects model despite Hausman test result favouring fixed effects estimation. The author justifies to certain extent the choice by nature of selected variables contained in the model, but the proper more detailed explanation why this approach is still correct and generating consistent results would be beneficial in demonstrating the student's understanding of the topic. Further, the student adopts the winsorizing method in order to limit the impact of possible outliers in the data. However, data summary statistics are presented in the post-winsorizing state and therefore offer rather limited informative power for an independent reader who had not opportunity to inspect the original dataset. Moreover, especially *dividend payout ratio* achieves maximum value in all subsamples 406.36% which appears to be extremely high and probably driven by very low net profit generated in that particular case. The student decided to disregard negative *dividend payout ratios*, which are obviously determined by negative net profit. However, the extremely high dividend payout ratios are most probably driven by net profit values close to zero. It is apparent, that extremely positive (which are included in the dataset) and negative (excluded from the dataset) are very similar in their nature (and the difference might be theoretically driven by tiny difference in net profit) meaning that the original dataset is by the non-negative filtering and winsorizing significantly modified before estimation. For an independent reader, it would be beneficial to learn how the data processing impacts the final results and how the original dataset looks like (in terms of descriptive statistics). And finally, the author should be more prudent in differencing between *dividend amount* and *dividend payout ratio*, as these terms were in multiple cases mixed in the thesis though their entirely different meaning.

Literature

The author has performed a thorough literature review. The existing findings of the relevant works are well presented. Comparison of the author's empirical findings with the literature are practical and instrumental in connecting the introductory and conclusive parts of the thesis.

Manuscript form

The thesis is well structured, however, chapter (section, subsection) numbering would be very beneficial for the reader's orientation in the text. The text itself is understandable and easy to follow.

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However, the text itself contains several minor typos or omissions.

Summary and suggested questions for the discussion during the defense

The author selected an interesting topic with relevant and contributive potential. Independent compilation of rich and relevant dataset has to be appreciated as well as careful and detailed review of the relevant literature in the field. However, as mentioned above I would appreciate more detailed discussion of methodology of the selected panel data estimation approach (namely random effects estimation).

To conclude, I recommend the thesis for defense with grade B.

I also suggest to discuss the following questions during the defense:

- How do you expect your empirical results (in case of panel data) to change if the SOE variable would correspond not to dummy variable but to the true percentage share of state in the company?
- You mention that „...decreasing dividends would be perceived by investors as negative management's view of future performance...“. How would you as an investor distinguish between decreasing dividends (i.e. amount) or decreasing dividend payout ratio?
- You have excluded company data in case of negative dividend payout ratio. However, in some cases net profit might be also negative in the company history and the dividends will be still paid – maybe the more in case of SOEs. Can you think of any model modification that could also be able to analyse negative dividend payout ratios?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	25
<i>Methods (max. 30 points)</i>	25
<i>Literature (max. 20 points)</i>	20
<i>Manuscript Form (max. 20 points)</i>	17
TOTAL POINTS (max. 100 points)	87
GRADE (A – B – C – D – E – F)	B

NAME OF THE REFEREE: Mgr. Barbora Malinská

DATE OF EVALUATION: 27.5.2019



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F