

Report on PhD Dissertation by Anastasiya Shamshur: Essays on Capital Structure Stability – Prof. Jan Švejnar, Ph.D.

The thesis focuses on the question of firms' capital structure stability. The stability of firms' leverage issue is relatively new in financial literature and has not been investigated in transition economies and in the M&A framework. Anastasiya makes a contribution in both the data she has collected and the econometric analysis. The dissertation consists of three essays.

The first paper investigates the capital structure determinants in the context of transition economies for the period from 1996 to 2006. It uses firm-level data available from the Amadeus database collected by Bureau van Dijk. The major finding of the paper is the stability of leverage ratios despite high macroeconomic instability and substantial changes of institutional structure. This result is somewhat unexpected and raises the question whether the limited access to external financing has contributed to the observed stability in capital structure of firms operating in transition economies.

Given the finding of the first essay, the second paper addresses this issue by applying endogenous switching regression approach, which allows for sample split on financially constrained and unconstrained firms using multiple observable firm characteristics rather than researcher's judgment. The results show the importance of credit constraints in firm financing decisions. Financially unconstrained firms are more responsive to changes in macroeconomic environment and adjust their capital structures one and a half times faster than their constrained counterparts. Further, the paper argues the importance of ownership structure for firms' financial decisions and demonstrates that direct ownership is able to explain a substantial part of unexplained variation in capital structure of financially unconstrained firms. Overall, this interesting essay would benefit from having a clearer conceptual (theoretical) framework, a bit more discussion of the data and choice of explanatory variables, and stronger policy implications.

The third paper changes its focus from transition economies to the UK, while still investigating capital structure stability in the context of M&As. M&A deals for the period from 1999 to 2007 are obtained from Zephyr database and financial data come from Amadeus. Application of difference-in-differences matching technique helps to compare leverage of firms that participated in M&As and the non-participants. A particular strength of the paper is that it can compare the leverage of the acquiring and acquired firms. It finds that there is an increase in the leverage of acquiring firms and no change in the leverage of the acquired firms.

On the whole, the thesis constitutes original work and satisfies the requirements for the award of the doctorate degree. It is well-executed and makes a significant contribution to the finance and financial economics literature. The use of up-to-date econometric techniques (and endogenous switching regression approach in particular) makes it suitable for publication after a minor revision.