

PUBLIC SELECTION BASED ON QUALIFICATIONS AND INTERVIEW FOR THE AWARDING OF NO. 1 EXPERIENCED GRANT LASTING 24 MONTHS FOR CONDUCTING RESEARCH PURSUANT TO ART. 22 OF LAW NO. 240/2010 AT THE DEPARTMENT OF MANAGEMENT, ECONOMICS AND QUANTITATIVE METHODS (A.R.F. 13/B4 - FINANCIAL MARKETS, FINANCIAL INSTITUTIONS, AND CORPORATE FINANCE - A.D. SECS-P/11 - FINANCIAL MARKETS AND INSTITUTIONS) - CUP: F52F16001350001 - TYPE A WITHIN THE FRAMEWORK OF THE 2018 STARS PROGRAMME - I PART 2018

announced with decree of the Chancellor Rep. no. 26/2019 of 15.01.2019 and posted on the official registry of the University on 15.01.2019

RESEARCH PROJECT

Government ownership, dividend policy and the role of debt

Research structure: Department of Management, economics and quantitative methods

Duration of the grant: 24 months

Scientific Area: 13 - Economics and statistics

Academic recruitment field: 13/B4 - Financial markets, financial institutions, and corporate finance

Academic discipline: SECS-P/11 - Financial markets and institutions

Scientific Director: Prof. Davide Castellani

Research project:

In the last decade, the increased state participation in the corporate governance of private companies, in addition to raising the interest of the media and the policymakers, has favoured, in fact, the emergence of a new trend of "state capitalism", as a relevant alternative to "liberal capitalism". In response to this trend, the literature has developed several interesting research strands: a) the effects of various types of state participation on the governance of listed companies (Chen et al., 2009; Giannetti and Laeven, 2009; Jiang et al., 2010; Berkman et al., 2012); b) the effects that the intrinsic characteristics of such enterprises may have on the level of state participation (Chernykh, 2008; Bortolotti & Faccio, 2009; Boubakri et al., 2011; Borisova et al., 2012; Carney & Child, 2013; Boubakri; et al., 2015); c) the performance of government-owned versus private-owned listed companies (Caprio et al., 2007; Lin & Su, 2008; Chen et al., 2009; Calomiris et al., 2010; Gul et al., 2010; Borisova et al., 2012; Liao & Young, 2012; Carney & Child, 2013; Borisova et al., 2015); d) the impact of the government control on corporate investment policies (Cull & Xu, 2005; Chen et al., 2014; Firth et al., 2012; Lin & Bo, 2012; O'Toole et al., 2016); cost of capital, liquidity and risk taking level (Borisova & Megginson, 2011; Lin et al., 2011; Chen et al., 2012; Boubakri et al., 2013; Megginson et al., 2014; Borisova et al., 2015); e) the influence of government ownership on the dividend policy (Bradford et al., 2013; Su et al., 2014; Hamdi Ben-Nasr, 2015). However, to date, there is little empirical evidence on: a) the dividend distribution as a substitute for the issuance of government debt; b) the effects of the monetary policy on the dividend policy; and c) the impact of government ownership on the shareholders' value. This research project is meant to fill these gaps and intends to provide, for each of them, a theoretical and empirical analysis by pursuing the following research objectives (RO #): RO1) analyse whether the dividend policy is influenced by a specific debt issuance request by the government in the face of a marked downgrading of government debt; RO2) investigate whether the effects of a prolonged loose (restrictive) monetary policy increase (reduce) the incentives of investors to finance the payment of dividends; RO3) study the various conditions through which state participation, in terms of trust and soundness of institutions, can increase shareholders' value, encourage opportunistic behaviours of the managers (moral hazard) and favour the channelling of assets and profits for the benefit of those who control the company (tunneling).

The empirical analysis will be conducted on a sample of more than 3,000 government investments in public companies, extrapolated from the Thomson Reuters SDC Platinum M&As database. The time horizon of analysis spans almost thirty years, from 1990 to 2017.

The estimated period for the realization of the project is about 24 months. The program of activities includes: 3 months for mapping and reviewing the literature; 4 months dedicated to the development of

theoretical models, also through computational methods (Miranda & Fackler, 2002); 5 months for the building of a new dataset coming from the matching of existing data with information collected from primary sources; 12 months devoted to the promotion and dissemination of the outcomes of the research project through the elaboration of three working papers and the presentation of the results at international conferences such as the American Finance Association (AFA) and the European Finance Association (EFA).

To the extent that state participation can influence the dividend policy and increase the shareholders' value of a company, this project aims to provide an essential contribution, in terms of originality: a) to the crucial link between the dynamics of the government debt (subject to a possible downgrading) and the debt stock of a company in which the state holds a share of the capital (reference to R01); b) to support and encourage the interdisciplinary nature of scientific research by simultaneously examining micro (i.e., intrinsic characteristics of the enterprises) and macro (i.e., monetary policy and dividend policy, public debt) dimensions (ref: R02); c) to emphasize the interdisciplinary aspects (e.g., Corporate Social Responsibility) and be aligned with the guidelines offered by the Work Program 2018 - 2020 (Horizon 2020) on the issue of protection of shareholders by the public institutions and the impact on the social context in which these companies operate (ref: OR3). Moreover, this project has a twofold impact on the progress in the research field: a) the results obtained will allow, first, to understand more clearly the benefits deriving from public investment in listed companies; and b) offer a multidisciplinary perspective by simultaneously combining different research areas related to business and economic sciences.