

REFEREE'S REVIEW

Program:	Master in International Business
Student:	Anastasia Rubashkina
Title of thesis:	PRIVATE BENEFITS OF CONTROL AND FINANCIAL LEVERAGE: EVIDENCE FROM RUSSIA AND NORTHERN EUROPE

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	5			
Structure and logic of the text flow. Logio of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.	5			
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.	5			
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.	5			
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.	5			
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.	4			
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	5			

Each item above is evaluated on the following scale, as applicable: 5 = excellent, 4 = good, 3 = satisfactory, 2 = poor.

Additional comments:

This thesis is devoted to analysis of leverage in the framework of concept of private benefits of control, which is an important part of corporate governance approach to corporate finance. The study is based on the deep survey of literature devoted both to theoretical issues and empirical evidence. as an academic discipline as well as a field of practical activities includes many different aspects of agency problem.

The author starts from Harris and Raviv (1991) paper, which describes leverage exclusively in agency problem terms (p.17 in the thesis). No financial considerations are taken into account. For example, MM-theory that finds explanations of leverage in tax shield concept and risk analysis (bankruptcy danger) is completely ignored. Debt is needed to maintain the growth and meet strategic goals of the company. These latter considerations sound for an expert in corporate finance as much more fundamental than agency though agency considerations can add substantial adjustments. After page 17 the author provides a survey of all directions of literature. I have found Chapter 1 being excellent and well balanced.

Nevertheless, in Chapter 2 the author concentrates on private benefits approach only, which has plenty of supporting publications in leading journals. The empirical study is based on a simple linear regression model where leverage is explained by some variables linked to private benefits of control and "control" variables, which are linked to a company. The author uses voting premia as a proxy. The reviewer is in a doubt whether there are enough Russian companies with liquid preferred stock market. So, obviously some illiquid securities are included in the sample. Nevertheless, this is not a dramatic weakness for a Master thesis.

The author was happy to find a number of significant regressions both for Russia and Nordic countries. She compelled a lot of data. She used three different econometric methods in her analysis of panel data. So, Chapter 2 is excellent as well.

Summary of Findings at the pages 48-50 sounds great. Let us, nevertheless, mention that these findings are of economic rather than managerial nature. The author devotes to managerial applications one short paragraph at the page 50. This is more serious drawback of the thesis predetermined by initial concept. The author made a lot of empirical work, with cross-country comparisons. She has overcome difficult statistical methods. Her regressions are significant, and natural hypotheses are verified. So, it makes general impression of the paper quite positive.

Master thesis of Ms. Anastasia Rubashkina meets the requirements of MIB program, and deserves an "excellent" grade, thus the author can be given the desired degree.

Date: September 20, 2011

Referee:
Professor of Finance



Alexander Bukhvalov