

Reinvestments in dentistry and differences between western or central and eastern European countries

Tomas Heryan^{1,*}

¹ Asst Prof., Department of Finance and Accounting, Silesian University, School of Business Administration, Karviná, Czech Republic

Article History

Received: 5 September 2022 Revised: 30 November 2022 Accepted: 1 December 2022 Available Online: 5 December 2022

Keywords: reinvestment of profit, Management of earnings, Dentistry, GMM with panel data

JEL classification: C58; D25; E21; G39

Citation: Heryan, T. (2022). Reinvestments in dentistry and differences between western or central and eastern European countries, *Review of Socio-Economic Perspectives*, 7(4), 55-61.

Abstract

This paper has focused on the willingness of owners to reinvest their profit back into a company. Research gaps in the investigation of financial issues in the healthcare industry are apparent in the literature. The aim of this paper is to estimate the differences in reinvestments between dentistry companies operating in western or central and eastern Europe (CEE). Annual Orbis data were obtained from financial reports from 3,711 western and 1,173 CEE companies. The generalized method of moments with panel data, currently modified by Kripfganz (2019), has been deployed as the main estimation technique. The estimated sample has been divided according to the return on assets into quartiles. The results clearly show that western owners rather reinvested their earnings back into their businesses, whereas CEE owners reinvest at a lower level. Furthermore, the willingness to reinvest, as well as the financial constraints related to that, can affect the quality of dentistry services.

1. Introduction

A conflict of interest between managers and companies' owners is generally considered the leading cause of information asymmetry within corporate finance. Despite the interest in this conflict, few studies have considered health economics. Furthermore, to our knowledge, no one has studied dentistry as a specific business industry. In general, health economics has its role in identifying research priorities (Torgerson, Donaldson & Reid, 1996). During the last decade, we have faced an expansion of private companies that provide dentistry services. The results of this study will greatly contribute to health economics by comparing the willingness of owners to reinvest their profits back into their business. This work offers one of the first investigations into the finance of dentistry.

This paper aims to estimate the differences in reinvestments between dentistry companies operating in western or central and eastern Europe (CEE). In particular, this work examines the impact of return of assets (ROA) on retained earnings. Profitability plays a crucial role for existence of all private companies, not excluding the private dentistry. To not assume that each dentistry is similar, companies will be divided according to each quartile of ROA into four categories. Annual data obtained from financial reports from 3,711 western and 1,173 CEE companies within the period from 2011 to 2018 will be used for estimation. Such data in panels are suitable for estimation using generalized method of moments (GMM). However, according to recent features in applied statistics, Kripfganz (2019) approach is applied.

The structure of this paper is as follows; even though there is small evidence, especially in dentistry, after the introduction a brief literature review is focusing on the agency theory in Section 2. Section 3 describes the data as well as the GMM approach, including its current innovative techniques. Discussion made in Section 4

* E-mail: heryan@opf.slu.cz & ORCID: <https://orcid.org/0000-0003-2027-7149>