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# Corporate Governance and Dividend Pay-Date Evidence from the French Stock Market

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*The aim of this paper is to identify the influence of ownership on the dividend pay-date for a panel of French firms from 2004 to 2009 by using the ACD hazard model (Autoregressive Conditional Duration). Our results indicate that large shareholders influence the fixing of the dividend pay-date of French companies. We find that there is no significant correlation between duality of manager as chairman and president of the board and dividend pay- date.*

**Keywords**: Dividend pay-date, ownership structure, control, large shareholder, agency costs, Cox regression, ACD model, hazard model.

**JEL Classification Codes**: F34, G21, G24, G32 and G35

## 1. Introduction

Dividend pay-date is one of the fundamental dates of the life cycle of firms and is still considered as an issue of interest in the financial literature. Dividend pay-date, which is the date enriching shareholders, depends on various determinants. Foremost of these factors are: industry of the firm, level of profits and free cash flow [Ben Letaifa (2010)]. The relationship between dividend pay-date and agency costs hasn't been developed yet in the corporate governance theory focusing and our problem is how dividend pay-date can be used in reducing the agency cost. This relationship is based on the fact that ownership structure of the firm and its management are engaged together in reducing agency conflicts and in convincing the market that managers are acting for the interest of the monitoring of the firm and are not profiting from their position. This idea is basically motivated by the agency models of dividends which deal that unless dividends are paid out rapidly, the managers may not abuse the free cash flow for personal use nor pursue unprofitable projects.

Pressure more strong exerted on managers of French listed companies for the value they create to shareholders and improve the transparency of their management. The proposals relating to corporate governance practices and financial information contained in the Viénot (1995, 1999) and Bouton (2002), comparable to those contained in the most OCDE countries, reflect the changes expected. Published before the collapse of the businesses in the new economy and Enron, the former insisted on the characteristics of Board of Directors (the presence of independent directors, an audit committee or audit, etc.).. The second, published since focus on "the quality of information and communication financial "(Boutton 2002, p.3).

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Despite these recommendations, we find that French firms use a variety of financial communication strategies highly differentiated. Notably, some managers seem reluctant to disclose any information necessary for investors to enable them to estimate the distribution of cash flows future, and therefore, efficiently allocate their capital. This opacity disclosure of information is reflected even sometimes by non-compliance with the obligation to publish reports statements. For example, in its 2001 annual report, the COB indicates that 40 final annual reports, a total of 284 publications under the Prime Contract, have not been published in the Bulletin of Mandatory Legal Announcements and (BALO), while listed companies are subject to such a publication. For smaller companies, these figures are even more impressive. In the Second Marché and Nouveau Marché, account unpublished final annual amount respectively to 103 (of a total of 329) and 66 (out of 149).

Accordingly, the purpose of this paper is to explain the observed differences in the choice of the dividend-pay-date in France. More precisely, we attempt to verify if the choice of this date depends on the structure of property which is not tested yet. We anticipate fast communication of the dividend pay-date by managers when the ownership is concentrated, that is to say, when conflicts of interest latent between shareholders and managers, described by Berle and Means (1932) in the American context and formalized by Jensen and Meckling (1976) are important. In this situation, dividend pay date could be a substitute for governance problems in a firm in order to minimize agency costs and to limit asymetric information between managers ans shareholders which is not done before. Accordingly, our aim is to identify the influence of controlling shareholder on dividend pay-date for a panel of French firms from 2004 to 2009. Our major finding indicates that French companies with highly concentrated ownership distribute more rapidly their dividends. We show that there is a significant negative correlation between the concentrated ownership structure and the dividend pay-date.

This article is structured as follows. We present our framework and formulate our hypothesis in the first section. In the second section, we describe our method of investigation and the results are discussed in the third section. Finally, we propose a summary of our results and conclude in the last section.

## 2. Evaluation of Dividend Pay-Date: Literature Review

Many articles are focused on the amount of dividends to distribute. However, the fixing of the dividend pay-date is not an easy decision to take in corporate finance. To formulate the hypothesis of a link between ownership structure companies and the dividend pay-date, we consider that it should provide two types of gains and therefore, positively affect firm value. It is, on the one hand, the gain in reducing conflict of interest between investors and managers, it is potentially more important for companies with diluted ownership. On the other hand, communicate a near dividend pay-date leads to a second financial gain from increasing the liquidity of the firms, the gain is potentially more important for companies with concentrated ownership.

### 2.1 Communication of a Near Dividend Pay-Date as Means of Reducing Agency Costs in Diluted Ownership Structure

According to the positive agency theory, Jensen and Meckling (1976) argued that the separation of ownership and management, synonymous with latent conflict of interest between shareholders and managers, gives rise to agency costs. The formers are decomposed in (1) monitoring costs incurred by shareholders to ensure that managers manage resources to maximize the equity value of the company, (2) costs clearance incurred by leaders to demonstrate to shareholders they work in their interests, and (3) the residual loss.This theory assumes that the costs of control and clearance increase with greater separation between ownership and management which leads to a demand for a rapid communication of the amount of dividend to pay and its pay-date.

In the presence of a diluted ownership structure, another reason that causes leaders to communicate a near dividend pay-date is the risk of their replacement. In this context, the increase in value due to better disclosure (Botosan, 2000) however, does not benefit only for leaders as shareholders, they have only a small portion of the shares. However, managers are anxious to protect their jobs and the various advantages associated with it. Thus, we argue that managers, whose ownership is largely diluted are encouraged to develop a communications policy for financial quality because their risk of replacement is higher, especially when the business performance is poor.

Thus, managers are likely to better communicate with investors, especially to communicate near dividend pay-date, especially if firms displays a poor performance, in order to avoid be subject to a takeover. This risk, which can lead to their replacement, is significantly lower when leaders and their allies hold a high proportion actions or, conversely, when unaffiliated blockholders officers or the public hold a smaller fraction of actions (Shivdasani, 1993). So, managers are likely to demonstrate to investors their good managing and that they work in their interests without squandering liquidities of the firms.

In this regard, Shleifer and Vishny (1997) and Faccio and Lang (2002) remember that with the exception of the United States and England, where ownership is relatively dispersed, the concentration of ownership of listed companies is the rule rather in the majority of countries. For example, in Japan and in Germany, proportion of the shares is in the hands of bankers,while in Italy or France, families and other companies have many actions companies. In these countries, conflicts latent interest can materialize especially between shareholderscontrolling and minority shareholders rather than between leaders and external shareholders.

In short, ownership is more diffuse, more leaders have an interest to publish a near dividend pay-date to avoid being replaced and to reduce agency costs, thus maximizing the value of the entreprise.

### 2.2 Communication of a Near Dividend Pay-Date as Means to Increase Liquidity of the Concentrated Ownership Structures

In addition to reducing agency costs, the communication of a near dividend pay-date may also positively affect the value of the companies by improving the liquidity of their shares.

First, disclosing more information and exact information about the dividend paydate, a company can increase the number of analysts who are interested. Thus, it will receive more attention from them in terms of forecast benefits, recommendations to purchase, hold or sell. This interest increased by analysts is the fact that providing more information about the exact timing of dividend payment, the company allows them to reduce their collection costs and processing of personal information, and their risk error forecast. Communication the exact dividend paydate reduces forecast error and dispersion among analysts who come to more consensus.

Brennan and Tamarowski (2000) empirically verify greater analyst coverage affects the liquidity of shares traded. Indeed it brings investors to revise their expectations more frequently, which leads them to make more transactions.

Based on this pattern of causality, we argue that communication of a near dividend pay-date might be more profitable in the case for companies with concentrated ownership and which are initially followed by a small number of analysts.

Our argument leads us to test the following hypothesis:

***Hypothesis 1: There is a negative correlation between the fixing of dividend pay-date and the presence of large shareholder.***

## 3. Empirical Modeling

Before presenting our results, we present the sample, dependent variable and the various explanatory variables.

### 3.1 Sample Selection

Determining the sample size results from a compromise between the need to have a large enough sample to obtain statistically significant results, and secondly, the need to obtain information related to governance, the which involves working on a relatively small sample. Faced with these constraints, we decide to study the companies listed on the SBF 120. We examine the dividend pay-date for these firms that paid regular dividends between 2004 and 2009. The data are collected from their official web sites. The final sample contains 168 firm-observations.

**Table 1: Descriptive statistics of the sample**

| Variables | Minimum | Maximum | Mean |
|---|---|---|---|
| **Total Assets** | 464271 | 727555008 | 47567224.9226 |
| **Turnover** | 350809 | 158752000 | 23430881.3869 |
| **Book value of equity** | 142238 | 66967000 | 10899270.8333 |
| **Dividend** | 0 | 11.20 | 1.7272 |
| **Cash** | 8000 | 22494000 | 2420620.5060 |
| **Net Profit** | 0 | 13535000 | 1745893.5774 |
| **Debt** | 0 | 42793000 | 4997423.8214 |

### 3.2 Proposed Model and Description of Variables

Based on previous literature and our earlier discussion, our empirical model is described as follows:

$$DURATION_{it} = f\ (a + b_o\ Size_{it-1} + b_1\ ROE_{it-1} + b_2\ VARCA_{it-1} + b_3\ LIQ_{it-1} + b_4\ LEV_{it-1} + b_5\ SharMaj_{it-1} + b_6\ DUAL_{it-1} + b_7\ CROIDIVv_{it-1} + b_8\ Duration_{it-1} + \epsilon_{it-1})$$

### 3.2.1 The Fixing of the Dividend Pay-Date: The Dependent Variable

To assess the fixing of a near dividend pay-date, we used a measure that has not been used in France. The dependent variable, **DURATION**, is the dividend payment duration per firm. This variable is measured by the number of days between two dates: the date of the annual general meeting of shareholders, and the dividend pay-date.

Table 2 presents the descriptive statistics for the dependent variable “dividend payment duration” on the full sample of firms.

**Table 2: Descriptive statistics of the dependent variables**

| Duration (days) | Observations | Min | Max | Mean | Std |
|---|---|---|---|---|---|
| All payers of dividends listed in the SBF 120 | 168 | 2 | 53 | 13,28139 | 9,723729 |

The statistics show that on average, certain firms choose to start distributing their dividends after 13 days after announcing the amount of the dividend at the annual general meeting. It shows also a considerable deviation from 2 to 53 days.

### 3.2.2 The Ownership Structure

We collected information on fraction of shares held by the biggest shareholder identified in the annual reports. Generally, the fraction of shares held by the biggest shareholder, as indicated in the Annual reports corresponds to the fraction of shares of shareholders in possession of more than 5% of the shares of the company.

SharMaj is a dummy variable that takes the value 1 if the structure of ownership is concentrated in the hands of big shareholders and 0 if not. Our idea is the following: if the ownership is concentrated, the coalition of majority of shareholders can influence the board in fixing a near dividend pay- date, which is in favour of their benefit.

We also used a proxy for the variable Duality of functions of the manager as chairman and president of the board of directors because our idea is that a manager can decide about the timing of payment of the annual dividends according to his knolgement of the real financial situation of the firm. We used Dual, a dummy variable which is equal to 1 if the chairman of the firm is the president of the board, and 0 otherwise.

### 3.2.3 The Control Variables

The main purpose of this study is to investigate the impact of the ownership structure on the fixing of the dividend pay-date. It is nevertheless important to introduce some control variables that are likely influence this relationship.

***The firm performance***

Our first control variable is firm performance. As mentioned in the previous section, managers should be encouraged to communicate a near dividend pay-date when performance is poor.This allows to reduce the risk replacement of managers when ownership structure is diffuse. However, it could also be argued that managers are reluctant to communicate near dividend pay-date when the company is in poor health because they seek "to be forgotten." On the other hand, they are encouraged to communicate near dividend pay-date when the company is very efficient, especially to renegotiate their compensation, or hope to be recruited to more favorable terms by another company. Thus, the relationship between the fixing of the dividend pay-date and performance is ambiguous.

Insofar as investors focus on the accounting performance (De Angelo, 2000) to evaluate the performance of managers, we use an accounting measure of Performance. This variable is **ROE** which measures the level of profit per firm and is measured by the ratio of earnings over book equity.

***The corporate financial policy***

According to Jensen (1986), a strong debt limit conflict of interest between shareholders and managers. In addition to this argument discipline by creditors. Palepu (1986) shows that firms with strong debt are less subject to takeover attempts. Thus, managers can least afford to communicate well, however, repayment constraint is more important (Jensen, 1986). We anticipate therefore a negative relationship between leverage (DEBT) and the fixing of dividend pay-date (Leverage). we retain a traditional measure of debt (DEBT), equal to relationship between debt and equity.

Dividend policy can play a role similar to debt.The dividends also reduces the funds available for management and, therefore, limit investments not creators value for shareholders. We therefore anticipate a negative relationship between dividends and the dividend pay-date period. The variable used (CROIDIV) measures increase the dividend per share between 2003 and 2009. More precisely, it is a dummy variable

that takes the value 1 if the firm will pay a high dividend, and 0 if not. If the novel is good, the firm may fix a rapid payment of dividend which is a good signal about her performance and profitability.

***The business growth***

We also introduce a control variables to take into account the growth of enterprises. In so far as the conflicts of interest between shareholders and managers are more intense in mature companies (which generate cash and invest little) because the risk of "overinvestment" is more important we expect a negative relationship between growth companies and the fixing of the dividend pay-date. Needs controlling shareholders and the need for managers to shirk are expected to be greater in mature companies. VARCA is used to measure business growth. This variable (VARCA) corresponds to past growth the company. It is measured by revenue growth business between 2004 and 2009.

On the other hand, we also think that, all things being equal, the companies in our sample, are also encouraged to reveal a near dividend pay-date, to meet higher expectations of potential investors. We therefore expect a neagative relationship between the fixing of the dividend pay-date and the size of the firm and the two variables Liquidity and last duration of dividend payment:

***Size*** is a variable that measures the size of the firm. It is measured by the log of total assets. *Our idea is t*he larger the firm size the lower the timing of dividend payment.

***Liquidity*** according to signalling theory, firms with higher earnings are likely to pay higher dividends. Grullon et al. (2002) suggest that declining reinvestment rate gives rise to excess cash, which is paid out in the form of dividends. This reasoning is consistent with Deshmukh (2003) who find that the time until initiation is negatively related to liquidities. That's why, the time until the date of dividend payment should be negatively related to liquidity. This variable will be measured by the ratio of liquidity to book value of assets.

***Duration*** is the dividend payment lag of the previous year which is measured by the number of days between the date of the annual general meeting $_{t-1}$, and the dividend payment date $_{t-1}$. In table 3, we summarize the independent variables and their measures.

**Table 3: Description of the independent variables**

| Independent variable | Measure |
|---|---|
| **Size** | Log of total assets |
| **ROE** | Net profit / book value of equity |
| **VARCA** | revenue growth |
| **Liquidity** | Cash /total assets |
| **CroDiv** | Dummy =1 if the Dividend $_t$ ≥ Dividend $_{t-1}$, 0 otherwise. |
| **Leverage** | Long term debt /book value of equity |
| **SharMaj** | Dummy variable equals to 1 if the ownership is concentrated, 0 otherwise. |
| **Dual** | Dummy variable equals to 1 if the chairman of the firm is the president of the board, 0 otherwise. |
| **Duration** | Number of days between the date of the annual general meeting $_{t-1}$, and the dividend payment date $_{t-1}$. |

## 4. Results

We present respectively our results and their analysis (correlation matrix, fixed effect results, random effect results, hausman test, cox regression results and ACD model results).

### 4.1 Correlation Matrix

Table 4 presents correlation matrix of the variables included in the econometric model.

**Table 4: The correlation matrix of the variables**

| Variables | Last Duration | OWNERSHIP | DUAL | LIQ | ROE | SIZE | LEVERAGE | VARCA | CROIDIV |
|---|---|---|---|---|---|---|---|---|---|
| **Last Duration** | 1 | -0,18 | -0,247 | 0,121 | -0,248 | -0,44 | -0,243 | -0,953 | 0,14 |
| **OWNERSHIP** | | 1 | 0,279 | -0,089 | 0,061 | 0,143 | -0,039 | 0,065 | -0,058 |
| **DUAL** | | | 1 | -0,041 | 0,195 | 0,245 | -0,023 | 0,263 | -0,255 |
| **LIQ** | | | | 1 | -0,109 | -0,183 | -0,022 | -0,244 | -0,046 |
| **ROE** | | | | | 1 | 0,105 | 0 | 0,243 | -0,147 |
| **SIZE** | | | | | | 1 | 0,006 | 0,398 | -0,036 |
| **LEVERAGE** | | | | | | | 1 | 0,119 | -0,075 |
| **VARCA** | | | | | | | | 1 | -0,219 |
| **CROIDIV** | | | | | | | | | 1 |

The correlations are between – 0.279 and 0.398 and are less than 0.8%. According to Kennedy (1992), the relevant variables are not highly correlated. So, we can introduce all these variables in the same econometric model.

### 4.2 Fixed Effects Results

The results of OLS model are summarized in Table 5 below. The assessment of the quality of our regression model is using the coefficient of determination R ² and F statistic.

**Table 5 : Fixed Effect results**

| Variable | Coefficient | Valeur de z | Significativité de z |
|---|---|---|---|
| **CASH** | **-26.7934**** | -2,.14 | **0.035** |
| **ROE** | 1,70522 | 0,21 | 0,838 |
| **LOGTOTACTIS** | -9,22757 | -1,70 | 0,091 |
| **LEVERAGE** | -1,095727 | -0,50 | 0,616 |
| **VARCA** | -0,4722853 | -0,70 | 0,487 |
| **CROIDIV** | 0,687499 | 0,58 | 0,564 |
| **_constant** | 79,93166 | 2,01 | 0.047 |

**$R^2$ = 8,79%**
**F de Fisher = 1,72**
**Significance of F = 0,1237, α = 5%**

The coefficient of determination obtained is considered low. in fact, the model has an explanatory power $R^2$ = 8.79%. We can argue that the variables introduced are not considered generally relevant in explaining the timing of dividend pay-date announcement. Then we note the need to introduce other variables that may influence this delay.

Similarly, we note that the Fisher F statistic on the test of homogeneity of a constant value is about 1.72 and that the probability of accepting the null hypothesis is greater than 10%. Thus, it is necessary to accept the null hypothesis of equality of the constants α (α1 = α2 as = ... = αn) and reject the existence of heterogeneity in our model.

At this stage, it is necessary to use the random effects method which assumes that the error term is decomposed into two components, one of which comes from random effects specific to other firms and taking into account what is considered general for the entire sample of firms. The results of this method are presented in the following.

### 4.3 Random Effects Results

**Table 6 : Random Effects results**

| Variable | Coefficient | Std. Err. | Valeur de z | Significativité de z |
|---|---|---|---|---|
| **ACTMAJ** | 2.666366 | 2.116103 | 1.26 | 0.208 |
| **DUAL** | -1.211381 | 1.728322 | -0.70 | . 0.483 |
| **LIQ** | **-31.51854*** ** | 9.863006 | -3.20 | **0.001** |
| **ROE** | 8.74404 | 6.707682 | 1.30 | 0.192 |
| **LOGTOTACTIS** | -2.157875 | 1.405882 | -1.53 | 0.125 |
| **LEVERAGE** | -.2706971 | 1.521552 | -0.18 | 0.859 |
| **VARCA** | -.3616915 | 0.6465806 | -0.56 | 0.576 |
| **CROIDIV** | 1.126841 | 1.061844 | 1.06 | 0.289 |
| **_constante** | 25.62082 | 10.37689 | 2.47 | 0.014 |
| **$R^2$ = 13,4%**<br>**F de Fisher = 15,38**<br>**Significance of F = 0,0522 and α = 5 %** | | | | |

The explanatory power of the model is improved and reached the value of 13.4%. It is globally significant at 5%. The variables included are relevant in explaining the fixing of dividend pay-date.

At this point, we have to perform the Hausman test in order to decide between the use of the interpretation of the fixed effects model or random effects model and to examine the correlation between the error term relative specific effects and the explanatory variables.

### 4.4 Haussman Test Results

The correlation between the explanatory variables and the error term fear be verified by the Hausman test which is used to test the following null hypothesis:

**$H_0$:** absence of correlation between the explanatory variables and the specific effect.

**$H_1$:** there is a correlation between the explanatory variables and the specific effect.

- If p <0.05: reject H0 and is selected as estimation method within the method.
- If p> 0.05 we accept H0 and we choose as a method of generalized least squares estimation.

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**Table 7 : Haussman test results**

| | Coefficients of Fixed (b) method | Coefficients Random (B) method | Difference (b - B) |
|---|---|---|---|
| **LIQ** | -26.7934 | -31.51854 | 4,72506 |
| **ROE** | 1,70522 | 8.74404 | -7,03882 |
| **SIZE** | -9,22757 | -2.157875 | -7,069703 |
| **LEVERAGE** | -1,095727 | -.2706971 | -0,8250298 |
| **VARCA** | -0,4722853 | -.3616915 | -0,1105938 |
| **CROIDIV** | 0,687499 | 1.126841 | -0,4393415 |
| **Chi $_2$ = 4,02**<br>**Significance = 0.6734**<br>**α = 5%** | | | |

With b = estimators method "fixed effects"
B = estimators method "Random effects"

The probability of accepting the null hypothesis is 0.5315> 0.05: then we accept $H_0$ of no correlation between the explanatory variables and the error term. Thus, the GLS estimator is better than the within estimator, therefore, we use the random effects method that leads to estimators BLUE.

This method leads us to generate the following interpretations:

- $R^2$ = 13.4%.
- All the signs of the coefficients are negative
- The signs of the ROE and the CROIDIV that is positive which is not expected.
- The more the size increases, the time between the general meeting and dividend pay-date is short. Thus, the arguments given in the literature to support the negative relationship between the size variable and the time of actual payment of dividends are checked: the large size companies pay their dividends quickly, this could be due to a sound system of internal control facilitates the audit of the accounts (which confirms the results of Stephen Owuss - Ansah (2000) and Wermert et al. (2000)) and therefore the holding of the general meeting, at which time there fixing the date of payment future dividends.
- Liquidity is very significant in explaining the timing of dividend payment and since the coefficient of the variable is negative, it should be added that the more liquidity, the higher the dividend payment period is short. A note that this result confirms the predicted sign.

In conclusion, it appears that the majority of the coefficients are statistically significant at the 1% level, except for the variable CASH which is statistically significant at the 1% level. These results reflect the average quality of fit of our model specified. We arrive at this stage, to confirm the results of Fama and French (2001) and Baker and Wurgler (2004) concerning the signs of variable size, profit, growth opportunities and liquidity. Regarding political variables contractual or governance, we are unable at this stage to find results. We investigate then the analysis with other econometric models.

### 4.5 Cox Regression Results

Our regression model is re-estimated by Cox regression which was also used by Deshmukh (2003), Bulan et al. (2005) and Kale et al. (2006) and that better reflects the nature of the dependent variable "delay" between the date of the AGM and the dividend-pay-date. We consider that the duration models presented previously doesn't consider governance variables in the cox regression.

**Table 8 : Cox regression results**

| Variable | Coefficient B | Wald Statistic | Significance |
|---|---|---|---|
| **Variables Quantitatives** | | | |
| LEVERAGE | -0.1025 | 0.3716 | 0.5422 |
| BUSINESS GROWTH | 0.0221 | 0.2570 | 0.8726 |
| LIQUIDITIES | **-5.4463***** | 15.1739 | **0.0001** |
| SIZE | 0.1755 | 1.3978 | 0.2371 |
| ROE | -**2.2707**** | 5.7416 | **0.0166** |
| **Variables Qualitatives** | | | |
| OWNERSHIP STRUCTRE | -0.3059 | 2.0068 | 0.1566 |
| DUAL | 0.1072 | 0.4067 | 0.5236 |
| CROIDIVIDEND | -0.2197 | 1.0466 | 0.3063 |

*** Significance = 1% ** Significance = 5% * Significance =10%

Significance of the model is given by -2 Log Likelihood = 1392,357; Sig = 0.0045***

LEVERAGE: ratio of debt over the book value of equity.
BUSINESS GROWTH (VARCA): turnover evolution
LIQUIDITyY: ratio of liquidity over the total of assets.
SIZE : logarithm of the total assets.
ROE : net profit over the book value of equity.

OWNERSHIP STRUCTURE : dummy variable = 1 if the ownership is concentrated in the hands of five shareholders and 0 if the ownership is dispersed.
DUAL: dummy variable if the chairman is the president of the board of directors and 0 otherwise
CROIDIVIDEND: Dummy =1 if the Dividend $_t \geq$ Dividend $_{t-1}$, 0 otherwise.

- The results of the estimation of the model shows that our model is globally significant and the significance of the model is given by -2 Log Likelihood = 1392.357 and means that the overall model is significant at 1%.
- On the concept of corporate governance: the variables Ownership structure and the duality of functions of the CEO (DUAL) are not significant, however their signs are predicted.
- The coefficients associated with the liquidity of the company (LIQ) and annual earnings (ROE) are significant at 1%. This implies that the decision of the dividend payment date seems to be dependent on these two variables above.
- The change of dividend increases (CROIDIVIDEND), investment opportunities (VARCA) and size (SIZE) are not significant determinants of the timing of dividend payment.

We decided to extend our methodology adopted here, using the ACD model according to Engle and Russell (1998) to study the impact of the previous duration on setting a new dividend-pay-date.

### 4.6 ACD Results

It is to apply the methodology of ACD models (autoregressive conditional duration model) adopted by Engle and Russell (1998), which aims to model the durations between two events. This model has the advantage of checking if the payment date of the previous year into account in determining the timing of dividend payments this year.

The purpose of this analysis is to estimate the parameters of the hazard function. This one describes the evolution of the instantaneous probability that the date of payment of dividends is close to the date of holding the general meeting of shareholders, that is to say, the time taken to initiate the payment of dividends is near. This amounts to saying that statistically for each payment date announced, the assumption of homogeneity of inter-company durations is verified. The results show:

| Table 8 : ACD results | | | |
|---|---|---|---|
| **Parameters** | **Coefficient** | **Std d.** | **Significance** |
| Constant | 2,47566*** | 0.6307 | 0.0000 |
| **Duration** | 0.1329*** | 0.0413 | **0,0008** |
| **Gamma** | 3,2327*** | 0,4749 | **0.0000** |
| **OWNERSHIP STRUCTURE** | 0.1799* | 0.1107 | **0.0521** |
| DUAL | -0.0079 | 0.0782 | 0,4600 |
| **LIQUIDITY** | -2,6350*** | 0,7317 | **0.0002** |
| **ROE** | 1,3115*** | 0.5006 | **0,0044** |
| SIZE | -0,0805 | 0,0810 | 0,1601 |
| LEVERAGE | 0,0499 | 0,1037 | 0,3152 |
| VARCA | -0,0021 | 0,0600 | 0 ,4861 |
| **CROIDIV** | 0,1626* | 0,1184 | **0,0847** |
| Sigma | 1,0395** | 0,3732 | 0,0027 |

*** Significance = 1% ** Significance = 5% * Significance =10%

Number of observations N= 168

DURATION: number of days between the date of the meeting and the dividend payment date.

SHAMAJ: dummy variable = 1 if the ownership is concentrated in the hands of five shareholders and 0 if the ownership is dispersed.

DUAL: dummy variable if the chairman is the president of the board of directors and 0 otherwise

CROIDIV: Dummy =1 if the Dividend $_t$ ≥ Dividend $_{t-1}$, 0 otherwise.
LIQUIDITY: ratio of liquidity over the total of assets.

ROE: net profit over the book value of equity.
SIZE: logarithm of the total assets.
LEVERAGE: ratio of debt over the book value of equity.
VARCA : turnover evolution

From this table, it can be seen that the introduction of the variable duration in the ACD duration model is determining in the analysis of the dividend payment duration problem. The sign of the parameter is different from 0; which signifies the existence of dependence between the previous duration of payment and the hazard rate and is significant at a level of 1%. This result confirms the hypothesis that if the previous dividend duration is near the date of the annual meeting, the dividend will be paid rapidly this year.

French companies announce a dividend payment date near the date of the annual meeting when the ownership structure is concentrated. The coefficient of the variable Ownership structure is positive and significant at a level of 10%. So, the existence of large shareholders influence the fixing of the dividend payment date because they prefer seek their dividends in a small time even if this is not in accordance of the preference of small shareholders. Another explanation of this result is if the ownership structure is concentrated in the hands of five shareholders, this is evidence that they play a monitoring role especially in the dividend policy of the firm. They can oblige managers to distribute them dividends rapidly and avoid the discretionary use of this cash. This result is consistent with the work of Shleifer and Vishny (1986) who see the block of control an effective way to control the manager.

The coefficient of the variable **Dual** is negative but not significant. This is a proof that if the chairman is the president of the board, doesn't influence the fixing of the dividend payment date.

The coefficient of the variable **Cash** is negative but significant at a level of 1%. This result confirms the theory and means that French companies pay dividends rapidly to shareholders in order to make a signal about their performance. Managers pay dividends to stockholders in order to be recompensed for their efforts.

The coefficient of the variable **ROE** is positive and significant at a level of 1%. This result confirms our hypothesis that the more the firm is profitable, faster it will pay dividends. Managers, signal the high actual performance of the firm to the market and reveal that they can realise good future results by paying dividends to shareholders and by revealing a rapid date of payment.

The company's **Size** has a negative effect on the dividend payment duration but the coefficient of this variable is not significant. This result means that the size of the firm doesn't influence the dividend payment date which contradicts our hypothesis.

The company's financial **Leverage** has a positive influence on the fixing of the dividend payment date but the coefficient of this variable is not significant. This result contradicts our hypothesis; however, according to Zareski (1996), disclosure diminishes with leverage because bondholders can obtain private information.

The company's **Investment opportunities** (VARCA) have a negative effect on the dividend payment duration but the coefficient of this variable is not significant. This result means that the investment opportunities of the firm doesn't influence the dividend payment date which contradicts the maturity hypothesis of Grullon et al. (2002).

**CROIDIV**: French companies pay dividends faster after the date of the general meeting when they have good news about the amount of dividend to pay. This result confirms our prediction and according to Adjaoud and Chkir (2005), they prefer announce a dividend payment date near of the date of general meeting when the amount of dividend to pay is the same or higher than the previous one.

## 5. Conclusion

This paper provides an empirical analysis conducted using panel data and ACD hazard model of the explanation of the dividend payment date in French. The major objective of this study is to reveal the influence of large shareholders on the fixing of this date which is in our consideration not done before. To reach this objective, we used a sample of 55 dividend payers firms over the period 2004-2009 listed at the SBF 120. Our results reveal the influence of the ownership structure in the timing of dividend payment in French. More precisely, we find that the higher the ownership of the five largest shareholders, the near the dividend payment date from the date of the general meeting.

The regression results conducted on ACD hazard model reveal a strong effect of the previous duration of payment on the fixing of the dividend payment date. We find also that the profitability, the liquidity, and the nature of the dividend to pay are significantly deterministic of the dividend pay-date. However, our results deny the effect of the firm size and duality of functions of the chairman on the fixing of the dividend pay-date which is our major limit of work.

In sum, our study increases the field of research “the timing of dividend payment”. Our findings indicate that the fixing of the dividend payment date is also a response for the preference of the large shareholders.

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# APPENDIX

- Covariance matrix of the parameters computed by the following method: Inverse of computed Hessian

| Parameters | Estimates | Std. err. | Est./s.e. | Prob. | Gradient |
|---|---|---|---|---|---|
| P01 | 2.4756 | 0.6307 | 3.925 | 0.0000 | 0.0000 |
| P02 | 0.1329 | 0.0413 | 3.219 | 0.0006 | 0.0000 |
| P03 | 3.2327 | 0.4749 | 6.807 | 0.0000 | 0.0000 |
| P04 | 0.1799 | 0.1107 | 1.624 | 0.0521 | 0.0000 |
| P05 | -0.0079 | 0.0782 | -0.100 | 0.4600 | 0.0000 |
| P06 | -2.6350 | 0.7317 | -3.601 | 0.0002 | 0.0000 |
| P07 | 1.3115 | 0.5006 | 2.620 | 0.0044 | 0.0000 |
| P08 | -0.0805 | 0.0810 | -0.994 | 0.1601 | 0.0000 |
| P09 | 0.0499 | 0.1037 | 0.481 | 0.3152 | 0.0000 |
| P10 | -0.0021 | 0.0600 | -0.035 | 0.4861 | 0.0000 |
| P11 | 0.1626 | 0.1184 | 1.374 | 0.0847 | 0.0000 |
| P12 | 1.0395 | 0.3732 | 2.785 | 0.0027 | 0.0000 |

- Correlation matrix of the parameters

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.000 | -0.180 | -0.247 | 0.121 | -0.248 | -0.440 | -0.243 | -0.953 | 0.140 | -0.141 | -0.253 | -0.263 |
| -0.180 | 1.000 | 0.279 | -0.089 | 0.061 | 0.143 | -0.039 | 0.065 | -0.058 | -0.014 | 0.226 | 0.296 |
| -0.247 | 0.279 | 1.000 | -0.041 | 0.195 | 0.245 | -0.023 | 0.263 | -0.255 | 0.139 | -0.043 | 0.898 |
| 0.121 | -0.089 | -0.041 | 1.000 | -0.109 | -0.183 | -0.022 | -0.244 | -0.046 | -0.106 | 0.022 | -0.049 |
| -0.248 | 0.061 | 0.195 | -0.109 | 1.000 | 0.105 | 0.000 | 0.243 | -0.147 | 0.105 | -0.110 | 0.219 |
| -0.440 | 0.143 | 0.245 | -0.183 | 0.105 | 1.000 | 0.006 | 0.398 | -0.036 | 0.165 | -0.041 | 0.269 |
| -0.243 | -0.039 | -0.023 | -0.022 | 0.000 | 0.006 | 1.000 | 0.119 | -0.075 | 0.005 | 0.114 | -0.012 |
| -0.953 | 0.065 | 0.263 | -0.244 | 0.243 | 0.398 | 0.119 | 1.000 | -0.219 | 0.159 | 0.070 | 0.300 |
| 0.140 | -0.058 | -0.255 | -0.046 | -0.147 | -0.036 | -0.075 | -0.219 | 1.000 | -0.057 | 0.021 | -0.291 |
| -0.141 | -0.014 | 0.139 | -0.106 | 0.105 | 0.165 | 0.005 | 0.159 | -0.057 | 1.000 | -0.096 | 0.158 |
| -0.253 | 0.226 | -0.043 | 0.022 | -0.110 | -0.041 | 0.114 | 0.070 | 0.021 | -0.096 | 1.000 | -0.039 |
| -0.263 | 0.296 | 0.898 | -0.049 | 0.219 | 0.269 | -0.012 | 0.300 | -0.291 | 0.158 | -0.039 | 1.000 |