EMPIRICAL EXAMINATION OF THE CLASSICAL DIVIDEND POLICY THEORIES
IN EU-28 COUNTRIES

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Abstract

Dividend policies and their impact on company value represent a subject which attracted strong academic interest, with many researchers bringing their contributions at solving the discussion based on the standard theory. The main objective of the paper is to revisit the classical dividend theories in the context of the EU-28 countries over a 9 year timeframe (2009-2017) which is an extension of previous studies on the topic over the same geographical zone. The motivation of the study is to identify those factors which determine the dividend decisions for the companies comprised in the sample we used and compare the results to the previous studies on the topic to see whether the classical theories still stand or there are shifts towards other factors. The results of the paper show that the lifecycle theory of dividends together with the pecking order theory and the available cashflow theory are still standing, and that both the accounting and market performance of the company have a significant impact on the level of dividends paid by the company.

Key words: *dividends, liquidity, performance, panel model, signaling*

JEL Classification: *G35, G32, E44*

I.INTRODUCTION

Dividend policies represent a controversial research theme upon which researchers have still not reached a consensus. Dividend policies are influenced by a large set of factors and as researchers advanced with their studies, they discovered many new influence factors on dividend behavior. Starting with Lintner in 1956, and going forward with Miller and Modigliani in 1961, Elton and Gruber in 1970 and Black in 1976, more hypothesis opened up regarding the influence factors that impact the dividend decision and behavior which go beyond the financial performance indicators and extend towards corporate governance, political factors and internal management policies and strategies. The classical dividend theories category comprises theories such as the signaling effect dividend theory, the pecking order dividend theory, the available cashflow dividend theory, the lifecycle dividend theory and the agency cost dividend theory, while the non-classical dividend theories study whether alternative executive remuneration policies such as stock options and other corporate governance factors impact the level of dividend paid.

The 1970-1990 interval was the most intense in terms of papers on the dividend policies topic, most of which were not further extended in the 2000-2020 period generating a research void which is penetrated with this paper. Most of the previous research treated mostly the core-finance related influence factors such as profitability, leverage, liquidity and not often the internal governance and management related factors. Our paper

introduces two corporate governance indicators which measure the impact of CEO tenure and network on the level of dividend payments.

The objective of our paper is to approach the classical dividend policies in the linear hypothesis, to see what dividend policy is still valid and what other influence factors can be identified. The study adds to the body of knowledge on the topic by studying the impact of financial performance indicators on the level of dividends paid by the company but also introduces in the research equation the corporate governance indicators using a panel database composed of 9,485 companies stretching within the 2009-2017 timeframe, thus extending the previous research upon a more recent timeframe and on an extended geographical range with updated variables and recent research methodology. The results of the paper show that both the accounting and market performance of the company impact the level of dividends paid, while there is evidence which supports the validity of the lifecycle, available cashflows and pecking order theories of dividends.

The paper is organized into 6 sections. Section 2 provides an overview regarding empirical investigations related to the dividend policy impact on the level of dividends paid. Section 3 deals with the data and methodology employed for testing the factors which influence the levels of dividends paid. Section 4 provides the empirical results with appropriate interpretations, Section 5 provides a country and industry level robustness check and Section 6 concludes.

II. LITERATURE REVIEW

One of the most recent papers which takes into consideration non-financial indicators was written by (Omar and Ahmed, 2019) who analyzed the dividend behavior of companies listed in the US around presidential elections from 1996 through 2016. The researchers concluded that companies paid a higher percentage of their profits as dividends around elections. (Musa et. al., 2019) performed a study on 179 companies listed on the Slovakian stock exchange within the 2015-2017 period using as a corporate governance variable a governance index and the dividend payout ratio as a dividend measure. They found a weak but positive relationship between the variables.

(Flynn et. al., 2019) studied the various management compensation methods of IT&C companies from the US and their impact on the level of dividends paid. They found that when management is compensated with stocks along their regular wages, the dividends they pay are higher than in the case of other companies which don't employ such compensation measures. The authors note that this compensation method is widespread in the IT&C sector in the US.

In another study, (Giuli et. al., 2019) studied the way in which dividend policies of companies purchased by investment funds converge towards the dividend policies of the investment funds themselves. The results of the study show that the institutional shareholder has a strong and significant influence on the dividend decision and volume of the acquired company. Their study was based on a sample of 205 companies listed on the Stockholm stock exchange between the 2000-2014 timeframe.

In a paper published in 2020, (Matos et. al., 2020) studied whether sustainability can be attained even if it affects the stability of the dividend policies of the companies through the inherent costs of a sustainable business approach. The study is concentrated on the European area, with financial information on the European companies which comprise the Euro 600 Stoxx Index, completed with ESG (environmental, social and governance) indicators taken from the Thomson Reuters database.

The authors used the collected information to assess the relationship between the ESG responsibility performances and the dividend policy of the firm, with a panel logit regression. The results of the authors show that companies with a high ESG score are better aligned with the views of shareholders and stakeholders and have a more stable distribution of profits.

The importance of corporate governance on profitability is also highlighted by (Ichim, 2017) who studied the impact of corporate governance on financial reporting. The findings of the author are that shareholders, as opposed to short term lenders and financial institutions, tend to look beyond mere profitability and put emphasis on the corporate governance and culture of the companies they invest in.

On a stock market like the US market, where investment funds such as Vanguard, State Street and Blackrock are the largest single shareholder in over 90% of the S&P500 companies, (Faccio and Lang, 2002) found that the situation is the same in Europe as well, where the top 5 wealthiest families from Spain own 7% of the shares issued in the country while in Portugal they own 25% of the shares issued on the national stock exchange.

III. DATA AND METHODOLOGY

The data used in our research is comprised of two databases. One of the databases which contains the financial data is from the Orbis database with an initial sample of 10,505 companies, on a 9 year timeframe starting from 2009 until 2017, with a number of 94,545 observations. This database was completed with corporate governance indicators from the WRDS BoardEx database of the Wharton University of Pennsylvania. After trimming the database with a consistency constraint of eliminating companies which don't have at leas 5 out of 9 years with dividend payments, we were left with 819 companies and 4,780 observations which satisfy this rule.

The main hypothesis used in the study are:

H1 – The accounting performance of the company positively influence the level of dividends paid. There must be a positive relationship between return on assets and the level of dividends paid.

H2 – The market performance of the company positively influences the level of dividends paid by it. There must be a positive relationship between Price-to-book value ratio, TOBIN Q and the level of dividends paid.

The econometric methodology used in realizing the empirical research consists in applying fixed and random effect linear regressions and OLS regressions. The selected dependent variable is the natural logarithm of dividends (LnDIV) and the independent variables of interest are return on assets (ROA) and return on equity (ROE) which measure together the accounting performance of the company and price to book value ratio (PBV) and TOBIN Q which measure together the market performance of the company.

The independent control variables have the purpose of revealing, through their interaction with the dependent variables, the present nature of the theoretical hypothesis which stand at the core of the classical dividend policies. The selected independent variables are:
-   Effective tax rate (ETR) – measures the effective tax rate of the companies with the impact of non-taxable income and the non-deductible expenses. This variable is used as a proxy for the tax effect theory of dividends.
-   Gearing (GRNG) – measures the degree of indebtedness of the companies. This variable is used as a proxy for the catering theory of dividends and the agency cost theory of dividends.
-   Current ratio (CR) – measures the level of the liquidity of the company. This variable is a proxy for the available cashflow dividend theory.
-   Working capital ratio (WCR) – another measure of liquidity but in a way connected to the financial equilibrium of the company. This variable is used as a proxy for the available cashflow dividend theory.
-   Size of the company (SIZE) – measured through the natural logarithm of total assets. This variable is a proxy for the lifecycle theory of dividends.
-   Age of the company (AGE) – measured through the number of years since incorporation. This variable is used as a proxy for the lifecycle theory of dividends.
-   CEO Tenure (CEO_Tenure) – measured as the number of years as a CEO of the current CEO
-   CEO Network (CEO_Network) – measured as the number of interconnections of the curent CEO with other CEO's through prior workplaces and education.

The last two indicators are used as corporate governance indicators used in order to highlight new, unstudied effects of variables on the level of dividends paid.

The econometric model used has the following shape:

$$Y_{i,t} = \alpha + \beta_k * X_{i.t} + \beta_k * Z_{i.t} + u_{i,t}$$

Where:
Y – represents the dependent variable (LnDIV)
X – represents the independent variables of interest (ROA, ROE, PBV, TOBIN Q)
Z – represents the independent variables of control (ETR, GRNG, CR, WCR, SIZE, AGE, CEO_TENURE și CEO_NETWORK).
u – represents the standard error.

Through the selected econometric models each independent variable of interest is treated separately together with the independent control variables, as follows:

1) $LnDIV_{i,t} = \alpha + \beta1 * ROA_{i,t} + \beta2 * ETR_{i,t} + \beta3 * GRNG_{i,t} + \beta4 * CR_{i,t} + \beta5 * WCR_{i,t} + \beta6 * SIZEF_{i,t} + \beta7 * AGE_{i,t} + \beta8 * CEOTENURE_{i,t} + \beta9 * CEONETWORK_{i,t} + u_{i,t}$

2) $LnDIV_{i,t} = \alpha + \beta1 * ROE_{i,t} + \beta2 * ETR_{i,t} + \beta3 * GRNG_{i,t} + \beta4 * CR_{i,t} + \beta5 * WCR_{i,t} + \beta6 * SIZEF_{i,t} + \beta7 * AGE_{i,t} + \beta8 * CEOTENURE_{i,t} + \beta9 * CEONETWORK_{i,t} + u_{i,t}$

3) $LnDIV_{i,t} = \alpha + \beta1 * TOBIN\ Q_{i,t} + \beta2 * ETR_{i,t} + \beta3 * GRNG_{i,t} + \beta4 * CR_{i,t} + \beta5 * WCR_{i,t} + \beta6 * SIZEF_{i,t} + \beta7 * AGE_{i,t} + \beta8 * CEOTENURE_{i,t} + \beta9 * CEONETWORK_{i,t} + u_{i,t}$

4) $LnDIV_{i,t} = \alpha + \beta1 * PBV_{i,t} + \beta2 * ETR_{i,t} + \beta3 * GRNG_{i,t} + \beta4 * CR_{i,t} + \beta5 * WCR_{i,t} + \beta6 * SIZEF_{i,t} + \beta7 * AGE_{i,t} + \beta8 * CEOTENURE_{i,t} + \beta9 * CEONETWORK_{i,t} + u_{i,t}$

IV. RESULTS

The first model presents 3 OLS regressions which add step by step the independent variables of interest and the independent variables of control at company level and CEO level. The model is completed with fixed and random effect regressions validated with a Hausmann test which highlighted the fixed effects regression as the most appropriate for the model.

Table 1 – OLS, Fixed and Random effects regressions

Variable	LnDIV				
	(1) OLS	(2) OLS	(3) OLS	(4) FE	(5) RE
ROA	4.882***	8.167***	7.887***	2.482***	3.761***
	(0.546)	(0.370)	(0.366)	(0.583)	(0.340)
AGE		0.000890*	0.000643		0.000164
		(0.000359)	(0.000354)		(0.000730)
SIZE_F		0.856***	0.782***	0.938***	0.828***
		(0.0113)	(0.0129)	(0.0959)	(0.0216)
CR		0.160***	0.155***	0.110**	0.125***
		(0.0222)	(0.0219)	(0.0357)	(0.0234)
ETR		-0.435***	-0.287***	0.0492	-0.0260
		(0.0731)	(0.0729)	(0.0866)	(0.0568)
WCR		-3.675***	-3.301***	-0.268	-2.126***
		(0.178)	(0.178)	(0.692)	(0.268)
GRNG		-0.0379	-0.0485*	-0.0870	-0.0852***
		(0.0238)	(0.0235)	(0.0466)	(0.0243)
CEO_TENURE			-0.0147***	0.0104*	0.00139
			(0.00315)	(0.00497)	(0.00364)
CEO_NETWORK			0.176***	0.00930	0.102***
			(0.0167)	(0.0478)	(0.0214)
CONSTANT	10.24***	-1.807***	-1.633***	-3.233*	-1.981***
	(0.0421)	(0.172)	(0.174)	(1.433)	(0.298)
F test	79.13	1066.05	872.67	17.33	
Wald test					2149.72
R-Squared	0.016	0.610	0.622	0.5511	0.6006
R-Squared adjusted	0.016	0.609	0.621		
Hausman Test				196.42***	
Number of observations	4780	4780	4780	4780	4780
Number of companies	891	891	891	891	891

Standard error: (in paranthesis)
*, **, *** Significant at 5%, 1% and 0.1%

The results from column (1) show the existence of a strong positive relationship and significant at the level (p<0.1%) between ROA and the level of dividends expressed trough LnDIV. In the absence of independent variables of control, the relationship only explains 1.6% of the variation of LnDIV, which is normal for an OLS regression with only 2 variables.

By extending the model with independent control variables, we obtain on column (2) a strong positive relationship which is significant at a (p<0.1%) level, which confirms the signaling effect theory of dividends. This theory was also confirmed by (Shapiro and Zhuang, 2015) and more recently by (Lobao et. al., 2020). From the standpoint of independent control variables, we find a strong positive relationship between AGE and SIZE and the level of dividends paid, which is significant at the level of (p<5% and p<0.1%, respectively). This relationship shows us the fact that a mature and large company is more prone to pay dividends than one which is in its incipient phase which confirms the lifecycle theory of dividends. Mature companies are more stable and lack many investment opportunities contrary to a company in its startup phase, so they are paying more consistent dividends. This result is similar to the ones obtained by (Dabrowska et. al., 2019) and (Consler and Lepak, 2016).

The relationship between the current ratio (CR) and LnDIV is strong and positive, being significant at the level of (p<0.1%) and shows that in the case of companies with high current ratio the level of dividends paid is higher which confirms the available cashflows theory of dividends. This result is similar to the results of (Alstadsaeter et al., 2017), (Kazmierska-Jozwiak, 2015) and (Ho, 2003). There is a strong negative relationship between LnDIV and WCR which illustrates that when the optimal level of working capital in total assets is exceeded, the financial resources are not used efficiently anymore which leads to a decrease of ROA and dividends paid (LnDIV).

The impact of the effective tax rate (ETR) on the level of dividends paid studies the effect of taxation on dividends and is negative and significant at the level of (p<0.1%). A high level of taxation erodes the profit available for distribution towards shareholders, which confirms the taxation effect dividend policy. The level of indebtedness is not statistically significant in this model, which confirms the findings of other researchers which found that the level of indebtedness can have both a positive and negative impact on the level of dividends paid, based on how effectively the financial resources are used. In this case there is no impact, which suggests that debt doesn't have a strong influence on the level of dividends paid.

We have similar results in column (3), with two new variables added from the area of corporate governance (CEO_TENURE and CEO_NETWORK). Both variables are significant at the level of (p<0.1%). CEO_TENURE has a negative effect on dividends paid, which contradicts the conclusions of (Simsek, 2007) but confirms the findings of (Driesch et. al., 2015), who found that longer tenures lead to a lower propensity to diversify activities and leads to conservative approaches in business, which mean less agility and opportunity costs. On the other hand, CEO_NETWORK has a positive relation which confirms that a network of connections in the field of work has benefits on profitability because connections can bring synergies to businesses and this is also in accordance to the findings of (Subramaniam and Youndt, 2005).

Column (4) shows us a fixed effects regression where ROA keeps its level of statistical significance at level (p<0.1%). The relationship between SIZE and the level of dividends paid is positive and significant at the level (p<0.1%) while CR is also positive and significant at the level (p<1%). CEO_TENURE has a positive and significant effect at the level (p<5%) which is in accordance with previous findings which show that in some cases longer tenure can bring benefits in profitability.

Column (5) shows a random effects regression where ROA, SIZE and CR are positive and statistically significant at the level (p<0.1%) while ETR is not statistically significant. WCR and GRNG have a negative effect on dividends paid which is statistically significant at the level (p<0.1%) while CEO_TENURE becomes statistically insignificant. CEO_NETWORK is positive and statistically significant at level (p<0.1%).

In order to select the most appropriate test for the econometric model between fixed and random effects, we performed a Hausman test which rejected the null hypothesis confirming the fact that the fixed effects model is the most appropriate. The table with the results of the Hausman is available on request. Additionally, a multicollinearity check was performed which revealed no problems, the table with the results of the multicollinearity check is also available on request.

Table nr. 2 – The relationship between the company performance measured through ROE, PBV and TOBIN Q and the level of dividends paid towards the shareholders.

Variables	LnDIV		
	(1) FE	(2) FE	(3) FE
ROE	0.954*** (0.219)		
PBV		0.143*** (0.0205)	
TOBIN_Q			0.265*** (0.0436)
SIZE_F	0.927*** (0.0953)	0.908*** (0.0967)	0.915*** (0.0978)
CR	0.122*** (0.0353)	0.133*** (0.0351)	0.114*** (0.0359)
ETR	0.00289 (0.0884)	0.0660 (0.0857)	0.0713 (0.0858)
WCR	-0.338 (0.682)	-0.0286 (0.683)	-0.0727 (0.686)
GRNG	-0.109* (0.0443)	-0.168*** (0.0494)	-0.0956* (0.0475)
CEO_TENURE	0.0110* (0.00491)	0.00830 (0.00494)	0.00811 (0.00504)
CEO_NETWORK	0.00800 (0.0477)	0.0115 (0.0484)	0.0174 (0.0487)
CONSTANT	-3.070* (1.422)	-3.009* (1.440)	-3.108* (1.455)
F-test	16.86	21.20	20.19
R-Squared	0.5501	0.5409	0.5498
Number of observations	4780	4780	4780
Number of companies	819	819	819

Standard error: (in paranthesis)
*, **, *** Significant at 5%, 1% and 0.1%

Table nr.2 presents 3 regression models with fixed effects where LnDIV is the dependent variable and ROE, PBV and TOBIN Q are, in turn, the independent variables of interest, completed with the financial and corporate governance independent variables of control.

By looking at column (1) we can see that there is a strong positive relationship between return on equity and level of dividends paid. We can also observe that compared to table nr.1, where the main profitability ratio was ROA, the influence of ROE is less elastic on dividends paid because overall, from an economic standpoint, the interaction of return on assets is more relevant to dividend paid and profitability, because the asset base is the generator of wealth and not integrally the equity of the company. Company size and the current ratio are significant at the level ($p<0.1\%$) and have a positive influence on the level of dividends paid which confirms yet

again the lifecycle theory of dividends and also the available cashflow theory of dividends. Effective tax rate and working capital ratio are not statistically significant while the gearing ratio is negatively related to dividends paid and statistically significant at the level ($p<5\%$), thus confirming the pecking order theory of dividends.

From the corporate governance independent variables of control only CEO Tenure is statistically significant at the level ($p<5\%$) and has a positive influence on the level of dividends paid. We can observe the fact that CEO_Tenure, GRNG and CR have both positive and negative interactions with the level of dividends paid which suggests a non-linear relationship between the variables thus opening new research hypothesis in the non-linear approach.

In column nr. (2) we have a fixed effect regression where the independent variable of interest is the price to book value ratio (PBV) which has a strong and positive relationship with the level of dividends paid. SIZE and current ratio are positive and statistically significant while ETR and WCR are not statistically significant. GRNG is statistically significant and has a negative relationship with the level of dividends paid. CEO_TENURE and CEO_NETWORK are not statistically significant.

Using the accounting value of the company in PBV attracts the disadvantages of accounting information which leads us to introduce TOBIN Q as an independent variable of interest in column (3) which accounts for assets at market value instead of accounting value. The relationship between TOBIN Q and the level of dividends paid is positive and significant at the level ($p<0.1\%$).

The relationship between TOBIN Q and PBV is strongly related to the available cashflow dividend theory because in the case of companies with a TOBIN Q lower of 1 the management tries to compensate the difference with the equilibrium by supra-investing and in the case of companies with a level above 1 they are closer to maximize the value of shares. In our case a higher TOBIN Q leads to higher dividends which confirms the available cashflow theory and also the signaling effect of dividends.

V. ROBUSTNESS CHECK

The analysis of the country and industry effects in the relationship between profitability and the level of dividends paid is an important approach which has to be made in order to highlight cross industry and cross country clusters.

By analyzing the composition of the data sample we found that there are large clusters at country level and also at industry level. For example, in the case of countries, Germany and France represent 52% of the companies in the sample while at industry level, production accounts for 42% of the sample. In order to perform a more in-depth analysis we split the sample in 5 categories, performing a fixed effects regression for each category.

The country effect is composed of three distinct regressions, for Germany (DE), France (FR) and other countries (OTH), while the industry effect is comprised of two categories, production (PROD) and the other industries. This analysis is beneficial for observing the way in which the relation between the independent and dependent variable interact across industry sectors and country groups.

Table nr.3 – Regressions with country and industry effects

Variable	LnDIV				
	(1) DE	(2) FR	(3) OTH	(4) PROD	(5) OTH
ROA	0.843	2.473*	2.811***	1.871*	2.749**
	(1.117)	(1.097)	(0.814)	(0.725)	(0.900)
SIZE_F	1.391***	1.164***	0.758***	1.160***	0.811***
	(0.184)	(0.170)	(0.118)	(0.133)	(0.123)
CR	0.115*	0.0499	0.114*	0.125**	0.103*
	(0.0494)	(0.0624)	(0.0487)	(0.0434)	(0.0508)
ETR	0.0582	0.218	-0.0763	0.0562	0.0553
	(0.149)	(0.131)	(0.142)	(0.0967)	(0.126)
WCR	1.263	-2.026	0.274	0.771	-1.019
	(1.335)	(1.628)	(0.685)	(0.806)	(1.025)
GRNG	-0.166	-0.0906	-0.0320	-0.212*	-0.0200
	(0.0955)	(0.0620)	(0.0763)	(0.0901)	(0.0489)
CEO_TENURE	0.0204*	0.000324	0.0131	0.00874	0.0126
	(0.00961)	(0.00684)	(0.00904)	(0.00711)	(0.00670)
CEO_NETWORK	0.0510	0.190	-0.0610	-0.0319	0.0386
	(0.0521)	(0.0613)	(0.0513)	(0.0433)	(0.0792)
CONSTANT	-10.16***	-7.368**	-0.144	-6.500***	-1.491
	(2.598)	(1.634)	(1.773)	(1.957)	(1.853)
F-test	12.59	8.43	7.26	19.54	7.35
R-Squared	0.6211	0.6481	0.4473	0.7027	0.4931
Number of observations	1054	1398	2328	2086	2694
Number of companies	209	218	392	344	475

Standard error: (in paranthesis)
*, **, *** Significant at 5%, 1% and 0.1%

We can observe that in the table above, ROA is not statistically significant in the case of Germany, but becomes significant in the case of France at (p<5%) level and is significant at (p<0.1%) in the case of the other countries with a positive impact in all cases, thus confirming the signaling effect theory of dividends. Company size is significant at (p<0.1%) level in all 3 regressions with a positive impact which confirms the lifecycle theory of dividends. Current ratio is significant at level (p<5%) in the case of Germany and other countries while it is statistically insignificant in the case of France, in all cases the relationship is positive which confirms the available cashflow theory. Effective tax rate, gearing and working capital ratio are not statistically significant.

CEO_TENURE has a positive impact in all 3 regressions but it is significant at level (p<1%) only in the case of Germany. CEO_NETWORK is not significant. The constant is high in Germany and France indicating that there are probably other unobserved effects which impact the level of dividends paid.

At sector level, ROA is statistically significant at (p<5%) level in the case of the production sector and (p<1%) in the case of the other production sectors, which confirms the signaling theory of dividends. Company size is statistically significant in the case of both clusters at (p<0.1%) with a positive relationship in both cases,

which confirms the lifecycle theory. The current ratio is more significant in the case of the production sector than in the other sectors and has a positive relationship further confirming the available cashflow theory while gearing is significant in the case of the production sector, with a negative impact. The other variables are not statistically significant.

VI. CONCLUSIONS

The level of dividends paid by companies is influenced by a multitude of factors out of which we analyzed only a selection of representative factors for the segments of analysis of financial performance, of company management and governance.

After analyzing the results of the econometric model we conclude that hypothesis H_1 is not rejected, according to which the accounting performance is impacting positively the level of dividends paid. Hypothesis H_2 not rejected because the market performance of the company positively impacts the level of dividends paid.

Regarding the classical dividend theories, several conclusions could be drawn up. First, the pecking order theory of dividends is not rejected through the negative influence of the gearing over the level of dividends paid. Second, the agency cost theory is rejected by the negative influence of gearing over the dividends which in turn supports the pecking order theory of dividends. Third, the lifecycle theory is not rejected by the positive impact of company size and age on dividends paid. Fourth, the available cashflow theory of dividends is confirmed by the positive impact that current ratio has over the level of dividends paid.

In the case of CEO_TENURE a longer tenure is associated with a positive influence on the level of dividends paid. Regarding CEO_NETWORK there is no significant relationship and the results are inconclusive.

Future research approaches might consider other models (dynamic, endogenous, non-linear) with an extended sample over a more recent timeframe. A better clusterization at country and industry level might help highlight new interactions between dividends and new influence factors. Last but not least, other governance variables must be added to the model in order to find relations in respect to the level of dividends paid.

VII. APPENDIX

A – Descriptive Statistics

Variable	Average	Mean	Maximum	Minimum	Standard Deviation	Skewness	Kurtosis
LnDIV	10.49	10.52	16.24	0.09	2.22	-0.42	3.72
DPR	0.48	0.38	1.81	-0.30	0.48	1.12	4.36
ROA	0.05	0.04	0.28	-0.12	0.06	0.92	6.84
ROE	0.05	0.04	0.28	-0.12	0.06	0.92	6.84
PBV	2.28	1.73	11.88	0.00	1.93	2.43	10.62
TOBIN_Q	1.00	0.72	6.29	0.00	1.00	2.90	13.63
ETR	0.33	0.35	0.95	-0.25	0.28	0.06	3.06
GRNG	0.98	0.77	9.66	0.00	0.94	3.02	18.67
CR	1.64	1.40	6.53	0.16	1.02	2.30	10.15
WCR	0.13	0.12	0.39	-0.02	0.12	0.55	2.19
SIZE_F	14.29	14.27	19.97	4.37	1.95	-0.03	2.73
AGE	63.50	42.00	652.00	1.00	58.44	2.75	18.07
CEO_TENURE	6.67	4.90	48.90	0.00	6.48	2.21	10.48
CEO_NETWORK	5.37	5.47	8.74	1.10	1.47	-0.15	2.46
OBSERVATIONS	4780	4780	4780	4780	4780	4780	4780

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