

Opportunistic or Trustworthy? Evidence from the Dividend Policy of Listed Family Firms

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Inserisci l'Abstract (max 200 parole).

Shareholder conflicts arise in firms controlled by a shareholder who owns a stake large enough to allow her to heavily influence the firm's strategy and the dividend decision. In this situation, controlling shareholders can withhold free cashflow to extract private benefits of control.

The aim of this paper is to study the role of dividend policy as a tool to mitigate conflicts between majority and minority shareholders about the distribution of the firm's profits, and build a reputation of fairness, or as an instrument used by majority shareholders to behave opportunistically. The empirical analysis investigates the dividend decisions of Italian listed firms from 2000 to 2017, accounting for the ownership structure, the corporate governance characteristics, the CEO identity and parental ties.

As potential of conflict is higher the lower the controlling stake, a positive relationship with dividend payout would suggest opportunism and rent-extraction whereas a negative relationship would indicate a conflict-reducing behaviour from the controlling shareholder, aimed at building a trustworthy relationship with minority shareholders, possibly in view of future financial needs. Results show that the controlling share enters with a negative and significant coefficient, in line with the conflict-reducing hypothesis.