

The Impact of Corporate Governance on Dividend Distribution Policy: An Econometric Study of French Firms Listed on the CAC40 Index.

Boudermine Sarra ^{1*}, keddam Djamel ²

¹ Entrepreneurship Lab and Innovation Strategies in the Financial and Business Environment, University of Jijel, (Algeria), sarra.boudermine@univ-jijel.dz

² Research Laboratory in Public Finance and Financial Markets, University of Jijel, (Algeria), keddamdjamel@univ-jijel.dz

Received: 01/04/2024

Accepted: 14/05/2024

Published: 01/06/2024

Abstract:

This study aims to test the impact of corporate governance on dividend policy for a sample consisting of 22 French companies listed on the CAC40 index during the period 2012-2022. and to achieve the goal of the study, we relied panel data.

The study found no statistically significant effect of the board's independence on the dividend distribution policy. However, it found a positive and statistically significant effect of CEO duality, gender diversity on the board, while foreign board members had a negative and statistically significant effect. The results also indicated a positive and statistically significant effect of control variables represented by earnings per share, company size, and leverage.

Keywords: Corporate Governance, Board of Directors, Dividend Distribution Policy, Panel Models.

Jel Classification Codes : G35, G34, G32, C23.

* Corresponding author

1. INTRODUCTION

Corporate governance is one of the most prominent topics in the realm of business, as companies have started to pay a lot of attention to this issue, especially after a series of financial crises that affected many companies. Establishing corporate governance is essential as it enhances investors' confidence in companies for expansion and attracting investments. Consequently, shareholders are interested in investing their shares in companies with strong governance mechanisms, considering them a tool that can help mitigate potential financial problems by defining the decision-making mechanisms of managers, including dividend policy decisions.

Dividend distribution policy is one of the important issues that have generated much debate, that companies, especially those listed in the financial market, need to announce and define. The main goal of any company is to maximize its wealth by maximizing the wealth of investors and growing their investments, which requires a dividend distribution policy that achieves a balance between maximizing the wealth of both large and small investors. On one hand, and on the other hand, how to distribute profits to shareholders to meet their needs or retain a part of them as retained earnings for reinvestment to achieve additional profits.

Since there are many variables and intertwined factors affecting the amount and manner of profit distribution, the dividend distribution policy is not an easy task for the company's management. The variety of parties involved in a company's operations often results in conflicts over the most suitable dividend distribution policy. Given that corporate governance aims to safeguard the interests of these parties, it might be the most effective approach to guarantee the adoption of an ideal profit distribution policy.

From this perspective, this study attempts to test the impact of corporate governance on the dividend distribution policy of French companies listed on the CAC40 index, by answering the following problem:

Is there an impact of corporate governance on the dividend distribution policy of French companies listed on the CAC40 index?

The Impact of Corporate Governance on Dividend Distribution Policy: An econometric Study of French Firms Listed on the CAC40 Index.

Study hypotheses:

This study proceeds from the following hypotheses:

- There is a statistically significant impact of board independence on the dividend distribution policy of French companies listed on the CAC40 index;
- There is a statistically significant impact of CEO duality on the dividend distribution policy of French companies listed on the CAC40 index;
- There is a statistically significant impact of gender diversity in the board of directors on the dividend distribution policy of French companies listed on the CAC40 index;
- There is a statistically significant impact of foreign board members on the dividend distribution policy of French companies listed on the CAC40 index.

Study Objectives:

This study aims to test and analyze the impact of corporate governance on the dividend distribution policy of French firms included in the CAC40 index. This is achieved through the development of an econometric model that helps to identify the nature of the impact between (board independence, the duality of the CEO role, gender diversity in the board, and foreign board members) and the dividend distribution policy of the studied firms.

Methodology and Tools Used:

To address the research question and test the validity of the hypotheses, the analytical approach was adopted to analyze the theoretical relationship between corporate governance and dividend distribution policy, along with analyzing the results of the econometric study. Furthermore, the statistical method was used. Stata 17 and EViews 13 software were utilized to achieve the study's results.

2. Analyzing the Relationship between Corporate Governance and Dividend Distribution Policy

In the context of agency theory and the conflict of interests between managers and shareholders over various issues, notably the dividend distribution policy, while shareholders prefer dividend distributions to earn returns, managers prefer to retain them for investing in future opportunities that benefit the company. The firm finds itself between two opposing goals: earning the trust of shareholders and retaining them by maximizing their

wealth through significant profit distributions, and at the same time, the firm wants to make future investments, which leads it to retain profits. To align the primary interests of both managers and shareholders, agency theory proposed the existence of an effective governance system that resolves conflicts between stakeholders, especially between managers and shareholders, by balancing short-term rewards and long-term interests to ensure business sustainability and enhance shareholder value over the long term.

2.1. Board Independence

Agency theory posits that independent board members play a crucial role in safeguarding a company's interest by reducing the occurrence of conflicts of interest between executive management and shareholders, due to their independent supervisory role in the company which increases objectivity, thereby reducing agency costs (Elamer, Ntim, Abdou, & Pyke, 2019, p. 5). Resource dependence theory also confirms that the presence of independent members on the board can enhance the disclosure process by sending signals to the external environment about the company's performance and ensuring the availability of vital resources, (El- habashy, 2019, p. 3). The researchers believe that independent board members will distribute profits to shareholders to reduce free cash flow (the surplus in retained earnings after covering financing needs), to lower agency costs, and to attract more investors by sending market signals reflecting the company's good financial status. In companies with good governance quality, there is increased pressure from investors on companies to distribute dividend profits and reduce free cash flow instead of using it to achieve managers' personal interests. In this regard, studies (Ullah, Mubasher, & Gul, 2021) and (khan, Saleem, & Shad, 2022) found that board independence Directors greatly enhances of dividend distributions.

On the other hand, monitoring theory suggests that executive managers possess more insider information compared to external managers, and thus, they have more information that helps them in making decisions, including the decision to distribute or retain profits. In this context, Adams and Mehran (2012) found that external managers do not have a comprehensive awareness of company issues compared to internal managers. This hinders their ability to make decisions in the context of the company's operations (Nguyen, Nguyen, Le, & Le, 2022, p. 4). Therefore, some studies indicate that independent boards do not have the incentive to increase dividend distributions. This is what was concluded by the study (Nazar, 2021).

The Impact of Corporate Governance on Dividend Distribution Policy: An econometric Study of French Firms Listed on the CAC40 Index.

Meanwhile, some studies have discovered no correlation between independence and dividend distributions, as evidenced by the following studies (Kurawa & Ishaku, 2014) and (Fernando, Dissanayake, & Mendis, 2021).

2.2. CEO Duality

According to agency theory, it is necessary to separate the roles of the CEO and the Chairman of the Board to distinguish management decisions from company control. CEO duality allows more power and decision-making freedom for the CEO, which ultimately leads to a conflict between shareholders and management, thereby deteriorating the company's performance and profitability (Iqbal, Nawaz, & Ehsan, 2019, p. 2). The researchers believe that decreased performance and profits negatively affect the level of dividends distributed to shareholders, thus CEO duality negatively impacts dividend distributions. In the same vein, Fama and Jensen (1983) mentioned the possibility of reducing agency problems by separating the positions of CEO and Chairman of the Board, meaning a separation of decision control from execution (Siddiqui, Razzaq, Malik, & Gul, 2013, p. 105). In this regard, studies (Sharma, 2011), (Nazar, 2021) and (Al Farooque, Hamid, & Sun, 2021) have shown a negative relationship between CEO duality and dividend policy. The researchers argue that the CEO's control over both positions gives them the opportunity to retain earnings to finance available investment opportunities for the organization to achieve greater future profits and maximize the wealth of the owners, while foregoing external financing sources that may be costly. Conversely, especially if there is free cash flow, the CEO might act opportunistically and divert part of the wealth for their personal interest, particularly if the company's governance system is weak.

Conversely, the stewardship theory offers an alternative perspective to agency theory, arguing against separation and in favor of duality. Effective management, according to the stewardship model, relies on the principle of unity of command by removing confusion about who is the CEO and who is accountable. This unity of command contributes to establishing clear lines of authority and responsibility within the company, leading to good performance outcomes. Moreover, duality would assist in making quick and decisive decisions, which could help the company gain confidence, support, and resources from both internal and external stakeholders (Tang, 2017, p. 363). In this context, a study (Feng, Ghosh, & Sirmans, 2007) indicates a positive relationship between CEO duality and dividend policy. The

researchers believe that the CEO tries to please shareholders by distributing a larger portion of the profits, which would increase the demand for the company's shares and maximize shareholder wealth. In doing so, the CEO attempts to prove their loyalty to shareholders by serving their interest, allowing them to secure their position. Conversely, this may come at the expense of the ability to finance available investment opportunities for the organization, as distributing a larger portion of the profits reduces self-financing and pushes towards using external financing sources, which may be costly.

2.3. Gender Diversity in the Board of Directors

agency theory proponents see the presence of female directors on boards as enhancing the monitoring mechanisms over executive managers' behavior, leading to economic prosperity for companies, increased profitability, and the protection of their interests. It also reduces the agency cost for the company and aligns the interests of managers and shareholders (Ahmed & Ali, 2017, p. 151). Stakeholder theory supports agency theory and suggests that females on the board may pay attention to the needs of all stakeholders and help in understanding and managing stakeholder relationships, ensuring the achievement of their diverse interests)Issa, Hanaysha, Elfeky, & Ullah, 2019, p. 6). Multiple studies have shown that boards with higher female tend to pay dividends to fulfill this monitoring role. This is supported by the study by Chen et al. (2017), which indicates that women prefer to engage in less risky ventures. The free cash flow of companies can either be reinvested or distributed as dividends. Among these options (Trinh, Cao, Dinh, & Nguyen, 2020, p. 4). In this context, studies by (Ullah, Mubasher, & Gul, 2021), (Chen, Leung, & Goergen, 2017), (Peni & Vahamaa, 2010) showed a positive relationship between gender diversity on the board and dividend distributions. Conversely, a study by (Saeed & Sameer, 2017) found a negative relationship between two variables. The researchers explained this result by stating that female directors provide the board with the knowledge. This can help boards enhance the decision-making process, including dividend distributions, cash flows, investment, etc. Adams and Kirchmaier (2016) support this argument by noting that gender-diverse boards include diverse perspectives, which can enhance the board's ability to collectively solve complex problems) Ye, Deng, Liu, Szewczyk, & Chen, 2019, p. 2).

2.4. Foreign Board Members

Agency theory suggests that ethnically diverse boards are expected to provide better monitoring (Kabara & Modibbo, 2020, p. 130), and it sees

foreign board members as unlikely to collude with internal managers to undermine shareholder interests (Carter, Simkins, & Simpson, 2003, p. 37). On the other hand, resource dependency theory indicates that an board with diverse ethnic backgrounds can produce high-quality decision-making because cultural differences bring diverse perspectives (Kabara & Modibbo, 2020, p. 130). Extending from this, several researchers have presented a range of arguments and characteristics unique to foreign board members that can impact distributed profits. The study by (Tao, Weib, Xiang, & Yi, 2022) indicates that board members with foreign experience are more effective in terms of oversight. They may distribute more cash to shareholders as a commitment device to mitigate agency costs. Conversely, foreign board members may prefer to take strategic actions to retain earnings in order to finance available investment opportunities for the organization, with the aim of achieving greater future profits and maximizing shareholder wealth. This approach may include foregoing dividend distributions and avoiding external funding sources that might be costly.

In another direction, the study by Masulis et al. (2012) suggests that foreign managers are likely to be less familiar with national accounting rules, governance standards, which increases the difficulty of evaluating managerial performance. Their findings indicate that companies with foreign managers in the United States show much lower returns on assets (Garcia-Meca, Garcia-Sánchez, & Martinez-Ferrero, 2015, p. 204). In the same context, Anderson et al. (2011) indicates that collaboration among board members that include foreigners can be difficult, and communication may be slower and more confusing, leading to lower levels of trust within the group, negatively affecting company performance (EmadEldeen, Elbayoumi, Basuony, & Mohamed, 2021, p. 339). The researchers believe that lower performance and profits negatively affect the level of profits distributed to shareholders, thereby foreign board members negatively impact dividend distributions.

3. Methodology of the Study

3.1. Study Sample

The study population consists of 40 French joint-stock companies listed on the CAC40 index on the Paris Stock Exchange for the period 2012-2022. The study sample consists of 22 companies listed on the same index, meeting the following conditions:

- The company has not undergone a merger with another company, and it has not been acquired during the study period.
- The required financial information and data are available during the study period.
- Listed on the index as of 12/31 with annual financial data during the study period.
- The company is not financially specialized in this sector's privacy. Data were collected based on the official websites of the institutions under study and annual reference reports.

3.2. Study Variables

The study model includes three types of variables highlighted as follows:

3.2.1. Dependent Variable

The dependent variable of the study is dividend distribution policy, and there are several indicators to measure this variable. This study relied on the indicator of dividend per share (DPS), measured by dividing dividend distributions by the number of ordinary shares issued. This measure was adopted in the study by (Khan, Shahid, & Khan, 2021).

3.2.2. Independent Variable

It represents corporate governance represented by the following variables:

-Board Independence (IND): Measured by dividing the number of independent members on the board by the total number of members. This measure was adopted in the studies by (Kurawa & Ishaku, 2014) and (Ullah, Mubasher, & Gul, 2021).

-CEO Duality (DUAL): It is a dummy variable taking the value 1 if the CEO and chairman of the board are the same person and 0 otherwise. This measure was adopted in the studies by (Feng, Ghosh, & Sirmans, 2007) and (Siddiqui, Razzaq, Malik, & Gul, 2013, p. 105).

-Gender Diversity in the Board (GNDR): Measured by dividing the number of women on the board by the total number of members. This measure was adopted in the studies by (Saeed & Sameer, 2017) and (Ullah, Mubasher, & Gul, 2021).

-Foreign Board Members (DVRFR): Measured by dividing the number of foreign members on the board by the total number of members. This measure was adopted in the study by (Tao, Weib, Xiang, & Yi, 2022).

3.2.3. Control Variables

-Earnings Per Share (EPS): Measured by dividing net income by the number of ordinary shares issued. This measure was used in the study by (Apergis & Eleftheriou, 2017).

-Firm Size (SIZE): Measured by the natural logarithm of total assets at the end of the year. This measure was used in studies by (Nazar, 2021).

-Leverage (LEV): Measured by total debt divided by total assets. This measure was adopted in the study by (Chen, Leung, & Goergen, 2017) and (Kabara & Modibbo, 2020).

3-3 Specification of the Adopted Mathematical Model

To test the impact of corporate governance on dividend distribution policy in French CAC40 index companies, the following mathematical model was adopted:

$$DPS_{it} = \beta_0 + \beta_1 IND_{it} + \beta_2 DUAL_{it} + \beta_3 GNDR_{it} + \beta_4 DVRFR_{it} + \beta_5 EPS_{it} + \beta_6 SIZE_{it} + \beta_7 LEV_{it} + \mu_{it} + \varepsilon_{it}$$

4. Results of the Study:

4.1. Statistical Characteristics of Study Variables:

The table below presents the descriptive statistics for the study variables.

Table 1. Statistical Characteristics of Study Variables

Variable	DPS	IND	DUAL	GNDR	DVRFR	EPS	SIZE	LEV
Mean	2.13891	0.65171	0.69421	0.41615	0.2798	4.04328	10.6619	0.598823
Min	0	0.375	0	0.154	0	-7.6134	8.41834	0.2765
Max	14	1	1	0.66667	0.72	29.9667	12.62434	0.8332
Std. Dev.	1.96239	0.12677	0.46169	0.10041	0.15069	4.9571	0.82044	0.1306
Obs	242	242	242	242	242	242	242	242

Source: Compiled by the researchers based on Stata outputs

It is noted from the table that the average dividends per share (DPS) amounted to 2.138, with a standard deviation of 1.96, indicating a high variability in the amount of dividends distributed per share among the institutions under study. This variability could be attributed to the profit levels achieved by each company, differences in management decisions regarding whether to distribute these profits, retain them for future use, or use them to meet obligations, in addition to the nature of the activities of

these companies and their business management strategies. The table also illustrates the arithmetic means of corporate governance variables represented in board independence (IND), CEO duality (DUAL), gender diversity in the board (GNDR), and foreign board members (DVRFR), which amounted to 0.65, 0.69, 0.41, 0.27, respectively, with standard deviations of 0.12, 0.46, 0.1, 0.15, respectively. Additionally, the arithmetic means of the control variables represented in earnings per share (EPS), firm size (SIZE), and financial leverage (LEV) amounted to 4.04, 10.66, 0.59, respectively.

4.2. Correlation Analysis of Study Variables

The key results of the correlation analysis between the study variables can be summarized in the following table:

Table 2. Correlation Matrix of Study Variables

	IND	DUAL	GNDR	DVRFR	EPS	SIZE	LEV	VIF
IND	1							1.27
DUAL	-0.1954	1						1.12
GNDR	0.0072	-0.2137	1					1.12
DVRFR	0.3875	0.0081	0.0894	1				1.31
EPS	-0.0121	0.0578	0.1749	0.1055	1			1.12
SIZE	0.0891	0.0297	0.096	-0.0073	0.0173	1		1.05
LEV	-0.0291	-0.0289	0.0058	-0.2759	-0.2547	0.1483	1	1.19
Mean VIF								1.17

Source: Compiled by the researchers based on Stata outputs

The presence or absence of multicollinearity among the explanatory variables can be ascertained in part through the correlation matrix. Numerous scholars claim that when correlation coefficients rise beyond the 0.8 threshold, multicollinearity becomes an issue. The results of Table No 02 indicate that the highest correlation coefficient is 0.3875, indicating an acceptable ratio suggesting the absence of multicollinearity issue among the study variables. This conclusion will be supported by conducting the Variance Inflation Factor (VIF) test, where the value should not exceed 10, indicating no multicollinearity issue among the explanatory variables. After conducting this test, the results indicated that all VIF values for the explanatory variables are less than 10, thus ruling out multicollinearity issue among these variables.

**The Impact of Corporate Governance on Dividend Distribution Policy:
An econometric Study of French Firms Listed on the CAC40 Index.**

4.3. Estimation of Model Parameters

The Panel Data approach was employed utilizing three models: (PRM), (FEM), and (REM). The results are as follows:

Table 3. Estimation of Model Parameters

	Pooled		Fixed		Random	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
IND	-0.873012	0.1288	1.327034	0.0723	-0.128926	0.8145
DUAL	0.340391	0.0223	0.500701	0.0311	0.328958	0.0362
GNDR	1.300049	0.0569	1.352578	0.0283	1.260390	0.0250
DVRFR	0.841168	0.0878	-1.443112	0.0248	0.016255	0.9732
EPS	0.319582	0.0000	0.201214	0.0000	0.274665	0.0000
SIZE	0.241978	0.0030	0.756683	0.0001	0.278028	0.0031
LEV	-0.945345	0.0803	3.622808	0.0011	-0.686356	0.2592
Cons	-1.613561	0.0869	-10.28497	0.0000	-2.200663	0.0422
R-squared	0.746908		0.864768		0.632816	
Prob (F-statistic)	0.0000		0.0000		0.0000	

Source: Compiled by the researchers based on Stata outputs

4.3.1. Selection of the Suitable Model for the Study

After estimating the three panel models, we compare them to reach the appropriate model for the study through a series of tests:

A. Comparison between the Pooled Regression Model (PRM) and the Fixed Effects Model (FEM)

To compare between the two models (PRM) and (FEM), we utilize the Restricted F-test, with the following hypotheses:

- **H0:** The (PRM) is superior.
- **H1:** The (FEM) is superior.

Based on the outputs from Stata17, it is evident that $F=8.83$, which is statistically significant at 5% significance level ($P=0.000$). indicating that the Fixed Effects Model is the suitable model.

B. Comparison between the Fixed Effects Model (FEM) and the Random Effects Model (REM)

The comparison between the two models (REM) and (FEM) is conducted using the Hausman test, with two hypotheses:

- **H0:** The (REM) is superior.
- **H1:** The (FEM) is superior.

Table 4. Results of the Hausman Test

chi2(7)	466.74
Prob>chi2	0.0000

Source: Compiled by the researchers based on Stata outputs

The results of the Hausman test indicate that the probability value equals 0.000, which is less than the 5% significance level. indicating that the Fixed Effects Model is the suitable model.

4.3.2. Statistical and Standard Tests for the Study Model

After identifying the suitable model for interpreting the study data, which is the Fixed Effects Model, we now proceed to verify the model's validity statistically and empirically.

A. Overall Significance Test for the Model

From the results in Table 03, it is observed that the relationship between the dependent variable, represented by (DPS), and the explanatory variables is strong, with a coefficient of determination $R^2=0.8647$. This indicates that the study variables explain approximately 86.47% of the variations in dividend per share for the institutions under study, the model is statistically significant, as evidenced by the probability value of the F-statistic.

B. Standard Validity Test for the Model

To ensure that the Model does not suffer from standard problems, we conduct tests for both error autocorrelation and heteroscedasticity:

a. Error Autocorrelation Test

The presence of error autocorrelation is detected using the Wooldridge test. If the prob value is less than 5%, then there is autocorrelation of errors. If it is greater than 5%, then there is no autocorrelation of errors.

Table 5. Results of the Error Autocorrelation Test

F (1, 21)	12.742
Prob>F	0.0018

Source: Compiled by the researchers based on Stata outputs

According to the results of the Wooldridge test, the probability value P-Value, estimated as 0.0018, is less than the 5% significance level. As a

The Impact of Corporate Governance on Dividend Distribution Policy: An econometric Study of French Firms Listed on the CAC40 Index.

result, there is autocorrelation among the errors.

b. Heteroscedasticity Test

We test for heteroscedasticity through two hypotheses:

- **H0:** Equality of variances (homoscedasticity).
- **H1:** Inequality of variances (heteroscedasticity).

If the probability value (Prob) is greater than 5%, there is no heteroscedasticity issue. However, if it is less than 5%, there is a problem of heteroscedasticity.

Table 6. Results of the Heteroscedasticity Test

chi2(1)	253.56
Prob>chi2	0.0000

Source: Compiled by the researchers based on Stata outputs

From the table, we observe that the probability value (Prob) is less than the 5% significance level. Thus, suggesting the presence of heteroscedasticity in the Fixed Effects Model.

The results of the previous tests indicate that the Fixed Effects Model suffers from both autocorrelation of errors and heteroscedasticity issues. Therefore, we will address these problems using the (PCSE) method proposed by Beck and Katz in 1995. The results are presented as follows:

Table 7. Results of the Study Model after Correction

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IND	1.327034	0.853206	1.555351	0.1213
DUAL	0.500701	0.216119	2.316786	0.0215
GNDR	1.352578	0.680641	1.987212	0.0482
DVRFR	-1.443112	0.661242	-2.182426	0.0302
EPS	0.201214	0.028026	7.179513	0.0000
SIZE	0.756683	0.195920	3.862212	0.0001
LEV	3.622808	1.347607	2.688326	0.0077
C	-10.28497	2.620506	-3.924804	0.0001

Source: Prepared by the researchers based on the outputs of EViews 13.

5. Discussion of Results

5.1. Board Independence

The findings illustrated in Table No 07 indicate a positive effect between board independence (IND) and dividend per share (DPS) for the institutions under study, albeit without statistical significance. This means that board independence does not play a significant role in dividend

distribution policy. Despite the compliance of the studied companies with all the independence standards stipulated in the French AFEP-MEDEF code, there was no impact of board independence on earnings per share distribution. This could be explained by the fact that these board members may not have comprehensive awareness of company issues compared to internal managers. Additionally, there might be insufficient interaction among board members, limiting their ability to make suggestions and decisions correctly within the context of company operations. This result may also be related to the count of board members, necessitating the enhancement of the effectiveness of independent board members' presence by having an appropriate number of them. This number should neither be too large, increasing coordination problems among board members, nor too small, risking the exclusion of opportunities to benefit from the diverse experiences and skills possessed by independent members.

This result does not align with studies such as those conducted by (Ullah, Mubasher, & Gul, 2021) and (khan, Saleem, & Shad, 2022), (Nazar, 2021). However, it aligns with studies like (Kurawa & Ishaku, 2014) and (Fernando, Dissanayake, & Mendis, 2021).

5.2. CEO Duality

The findings illustrated in Table 07 reveal a statistically significant positive effect at a 5% significance level between executive dualism (DUAL) and dividend per share (DPS) for the studied institutions. This result contradicts agency theory but supports the perspective of the supervision theory, which argues against separation and is based on dualism. This positive effect can be interpreted by the fact that the management of the studied institutions relies on the principle of unity of command, contributing to establishing clear lines of authority and responsibility within the company. This facilitates decision-making processes and reduces conflicting opinions among board members, resulting in reduced costs associated with additional compensation or managerial bonuses. Consequently, these institutions achieve good performance results, enabling them to distribute more cash dividends to shareholders, thereby enhancing their reputation and avoiding sending a negative signal to the financial market. Instead, they send a positive financial signal that the institution is

capable of generating profits, which increases demand for its shares, leading to an increase in its value. Additionally, investors in companies with good governance can influence management through the board of directors, contributing to maximizing shareholder wealth. On the other hand, this may come at the expense of the institution's ability to finance available investment opportunities, as reducing dividend distribution reduces self-financing and forces the institution to resort to using costly external financing sources. This result aligns with the study by (Feng, Ghosh, & Sirmans, 2007) but does not align with the results of studies by (Sharma, 2011), (Nazar, 2021), and (Al Farooque, Hamid, & Sun, 2021).

5.3. Gender Diversity in the Board of Directors

The study results presented in Table No 07, indicate a statistically significant positive effect at a 5% significance level for the (GNDR) and (DPS) in the studied companies. This means that companies with more gender-diverse boards pay larger cash dividends. Female directors work to improve managerial oversight by enhancing self-monitoring, leading to increased cash dividends and reduced agency costs for free cash flows. Theoretically, this result aligns with the assumption of agency theory, which suggests that the effective oversight role of the board of directors can mitigate managerial opportunism. Therefore, will work to distribute a larger portion of profits to reduce the free cash flow that the CEO can exploit for personal gain.

Stakeholder theory also suggests that females on the board of directors may be concerned with the needs of all stakeholders and assist in understanding and managing stakeholder relationships to ensure their interests are met. However, institutions may lose profitable investment opportunities. Instead of reinvesting free cash flows in projects and new investments that benefit them with a certain level of risk, female directors tend to dispose of free cash flow through dividend distribution. This is due to women's nature being more risk-averse and conservative, affecting the company's decisions and long-term strategy. This result aligns with the study by (Ullah, Mubasher, & Gul, 2021), (Chen, Leung, & Goergen, 2017), and (Peni & Vahamaa, 2010) but not with the results of the study by (Saeed

& Sameer, 2017).

5.4. Foreign Board Members

The study results presented in Table No 07, indicate a statistically significant negative effect at a 5% significance level between foreign board members (DVRFR) and dividend per share (DPS) in the studied institutions. This means that companies with more racially diverse boards have lower cash dividend distributions. This result is consistent with agency theory and resource dependence theory. It can be attributed to the fact that foreign board members possess more insightful Understanding potential profitable investments. Therefore, they tend to take strategic measures to retain profits to finance available investment opportunities for greater future profits and wealth maximization for shareholders, foregoing external financing sources that may be costly instead of distributing dividends.

Furthermore, companies facing higher growth opportunities may be able to afford lower profit levels compared to companies with lower growth opportunities. On the other hand, this could be because foreign board members may struggle to monitor managers due to difficulties in communicating with management and employees of the invested companies due to their geographical distance or lack of knowledge about the local environment, thereby increasing the likelihood of communication problems and personal conflicts that lead to information asymmetry, a higher level of managerial oversight, negatively affecting dividend distributions. This result contradicts the findings of the study by (Tao, Weib, Xiang, & Yi, 2022).

5.5. Earnings per Share

The study results presented in Table No 07, indicate a statistically significant positive effect at a 1% significance level for the control variable (EPS) on (DPS) for the studied institutions. This result can be interpreted as dividend distributions paid to shareholders primarily depend on the company's annual profits. When these profits increase, the company can distribute additional amounts to shareholders as cash dividends to enhance stock value and attract more investors, sending a signal to the financial market that the company has substantial profits and enjoys a strong financial position. Therefore, profitability ratio is considered a fundamental

The Impact of Corporate Governance on Dividend Distribution Policy: An econometric Study of French Firms Listed on the CAC40 Index.

factor in formulating dividend distribution policies for companies, as it reflects the strength and sustainability of profits. This result is consistent with a study by (Apergis & Eleftheriou, 2017).

5.6. Company Size

The study results presented in Table No 07, reveal a statistically significant positive effect at a 1% significance level for the control variable, company size, on dividend per share (DPS) for the studied institutions. Accordingly, the idea is supported that large-scale institutions have the ability to obtain funds from various financing sources more easily and with fewer restrictions, allowing them to expand their investments and establish new ventures. Moreover, these institutions can reduce production costs and distribute higher dividends to shareholders compared to smaller firms. These findings are consistent with a study by (Ullah, Mubasher, & Gul, 2021) and contradict the results of a study by (Nazar, 2021).

5.7. Leverage

The study results presented in Table No 07, indicate a statistically significant positive effect at a 1% significance level for the control variable financial leverage on dividend per share (DPS) for the studied institutions. This is attributed to the creditors' ability to monitor and control the behavior of managers, encouraging them to make decisions that contribute to profitability. Regular payment of debt obligations, including interest and principal amounts owed to creditors, prompts managers to be more careful in avoiding ineffective choices that could negatively impact an organization's ability to generate profits. This contributes to improving performance and increasing dividends distributed to shareholders in the study sample institutions. This result is consistent with a study by (Kabara & Modibbo, 2020) and a study by (Ullah, Mubasher, & Gul, 2021), and contradicts a study by (Chen, Leung, & Goergen, 2017).

6. Conclusion

The study aimed to analyze some factors influencing dividend policy, focusing on corporate governance through certain characteristics of the board of directors, primarily (board independence, CEO duality, gender diversity in the board, and foreign board members), as they are among the

most influential factors. This was conducted through a standard study of French companies listed on the CAC40 index, comprising 22 institutions for the period (2012-2022). Panel data analysis with fixed effects model application led to several significant results, including:

- No statistically significant impact of board independence on dividend per share (DPS) for the studied institutions.
- Statistically significant positive impact of CEO duality on dividend per share (DPS) for the studied institutions.
- Statistically significant positive impact of gender diversity in the board on dividend per share (DPS) for the studied institutions.
- Statistically significant negative impact of foreign board members on dividend per share (DPS) for the studied institutions.
- Statistically significant positive impact of control variables, namely earnings per share, firm size, and leverage, on dividend per share (DPS) for the studied institutions.

Based on these findings, it can be acknowledged that there is an impact of corporate governance on dividend distribution policy, thus indicating a relationship between them. However, studying various factors that affect dividend policy remains a contentious issue in financial literature. Therefore, this study recommends conducting further similar studies involving other corporate governance variables, such as the educational level of board members, average age of board members. Additionally, conducting studies to confirm the various factors influencing dividend distribution policy for the studied institutions is recommended.

7. Bibliography

1. Ahmed, A., & Ali, S. (2017). Boardroom gender diversity and stock liquidity: Evidence from Australia. *Journal of Contemporary Accounting & Economics*, 13(2), pp. 148-165.
2. Al Farooque , O., Hamid , A., & Sun, L. (2021). Does Corporate Governance Have a Say on Dividends in Australian Listed Companies? *Australasian Accounting, Business and Finance Journal*, 15(4), pp. 47-75.
3. Carter, D., Simkins, B., & Simpson, W. (2003). Corporate Governance, Board Diversity, and Firm Value. *The Financial Review*, 38, pp. 33-53.

The Impact of Corporate Governance on Dividend Distribution Policy: An econometric Study of French Firms Listed on the CAC40 Index.

4. Chen, J., Leung, W., & Goergen, M. (2017). The impact of board gender composition on dividend payouts. *Journal of Corporate Finance*, 43, pp. 86-105.
5. El- habashy, h. (2019). THE EFFECTS OF BOARD AND OWNERSHIP STRUCTURES ON THE PERFORMANCE OF PUBLICLY LISTED COMPANIES IN EGYPT. *Academy of Accounting and Financial Studies Journal*, 23(1), pp. 1-15.
6. Elamer, A., Ntim, C., Abdou, H., & Pyke, C. (2019). Sharia supervisory boards, governance structures and operational risk disclosures: Evidence from Islamic banks in MENA countries. *Global Finance Journal*, 46, pp. 1-17.
7. Fernando, L., Dissanayake, D., & Mendis, M. (2021). The Impact of Corporate Governance on Dividend Policy: An Empirical Evidence from Listed Companies in Sri Lanka. *South Asian Journal of Finance*, 1(1), pp. 35-47.
8. Iqbal, S., Nawaz, A., & Ehsan, a. (2019). Financial performance and corporate governance in microfinance: Evidence from Asia. *Journal of Asian Economics*, 60, pp. 1-13.
9. Kabara, A., & Modibbo, A. (2020). Impact of Ethnic Diversity on Firm Financial Performance: The Case of Non-Financial Firms in Nigeria. *Kebbi Journal of Accounting Research*, 1(1), pp. 127-137.
10. Peni, E., & Vahamaa, S. (2010). Female Executives and Earnings Management. *Managerial Finance*, 36(7), pp. 629-645.
11. Saeed, A., & Sameer, M. (2017). Impact of board gender diversity on dividend payments: Evidence from some emerging economies. *International Business Review*, 26, pp. 1100-1113.
12. Sharma, V. (2011). Independent directors and the propensity to pay dividends. *Journal of Corporate Finance*, 17, pp. 1001-1015.
13. Tao, Q., Weib, J., Xiang, X., & Yi, B. (2022). Board directors' foreign experience and firm dividend payouts. *Journal of Corporate Finance*, 75, pp. 1-26.
14. Ye, D., Deng, J., Liu, Y., Szewczyk, S., & Chen, X. (2019). Does board gender diversity increase dividend payouts? Analysis of global evidence. *Journal of Corporate Finance*, 58, pp. 1-26.
15. Apergis, I., & Eleftheriou, S. (2017). DIVIDEND PAYOUT AND CORPORATE GOVERNANCE ACROSS THE GREEK LISTED FIRMS. *Journal of Economics and Business*, 20(1), pp. 11-18.
16. EmadEldeen, R., Elbayoumi, A., Basuony, M., & Mohamed, E. (2021). The effect of the board diversity on firm performance : An empirical study on the UK. *Corporate Ownership & Control*, 18(3), pp. 337-347.
17. Feng, Z., Ghosh, C., & Sirmans, C. (2007). CEO Involvement in Director Selection: Implications for REIT Dividend Policy. *The Journal of Real Estate Finance and Economics*, 35(4), pp. 385-410.
18. Garcia-Meca, E., Garcia-Sánchez, I.-M., & Martinez-Ferrero, J. (2015). Board diversity and its effects on bank performance: An international analysis. *Journal of Banking & Finance*, 53, pp. 202-214.

19. Issa, A., Hanaysha, J., Elfeky, M., & Ullah, I. (2019). The Impact of Board Gender Diversity on Firm Value: Evidence from Kuwait. 2(1), pp. 1-21.
20. Khan, A., Saleem, M., & Shad, F. (2022). The Impact Of Corporate Governance On Dividend Policy Of Pakistan Stock Exchange Listed Companies (A Case Of Cement Sector). *Journal of Positive School Psychology*, 6(12), pp. 458-471.
21. Khan, I., Shahid , M., & Khan, S. (2021). The Impact of Corporate Governance on Dividend Decisions: Evidence from Non- Financial Sector of Pakistan. *International Review of Management and Business Research*, 10(1), pp. 285-295.
22. Kurawa, J., & Ishaku, A. (2014). The Effect Of Corporate Governance On Dividend Policy Of Listed Banks In Nigeria: A Panel Data Analysis. *Researchjournali's Journal of Finance*, 2(8), pp. 1-12.
23. Nazar, M. C. (2021). The Influence of Corporate Governance on Dividend Decisions of Listed. *ournal of Asian Finance, Economics and Business*, 8(2), pp. 289-295.
24. Nguyen, T., Nguyen, D., Le, h., & Le, D. (2022). orporate Governance and Financial Stability: The Case of Commercial Banks in Vietnam. *Journal of Risk and Financial Management*, 15, pp. 1-16.
25. Siddiqui, M., Razzaq, N., Malik, F., & Gul, S. (2013). Internal Corporate Governance Mechanisms and Agency Cost: Evidence from Large KSE Listed Firms. *European Journal of Business and Management*, 5(23), pp. 103-109.
26. Tang, J. (2017). CEO duality and firm performance: The moderating roles of other executives and blockholding outside directors. *European Management Journal*, 35(3), pp. 362-372.
27. Trinh, V., Cao, N., Dinh, L., & Nguyen, H. (2020). Boardroom Gender Diversity and Dividend Payout Strategies: Effects of Mergers Deals. *International Journal of Finance and Economics*, 26(4), pp. 1-22.
28. Ullah, I., Mubasher, A., & Gul, S. (2021). The impact of corporate governance on dividend policy: A case from pharmaceuticals companies in Pakistan. *International Journal of Multidisciplinary Research and Explorer (IJMRE)*, 1(9), pp. 133-136.