

„BABEȘ-BOLYAI” UNIVERSITY CLUJ NAPOCA  
„Economics and Business Administration” PhD School  
Field of research: Finance

# PhD Thesis

## Corporate Governance and Dividend Policy

### Synopsis

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**Key words**

corporate governance, dividend policy, bucharest stock exchange, emerging economies

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## Main Structure of Thesis

Introductory Chapter

Chapter 1: *Corporate Governance: A Concept at the Convergence of XX and XXI Centuries*

Chapter 2: *Dividend Policy and Its Factors of Influence*

Chapter 3: *Dividend Distributions of Companies Listed on Bucharest Stock Exchange (BSE)*

Chapter 4: *Study on the Links between Dividend Policy and Dividend-Paying Companies. Mathematic Models Applied on Bucharest Stock Exchange (BSE)*

Main Findings and Conclusions

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### PhD Thesis

### Corporate Governance and Dividend Policy

### Synopsis

Thesis entitled "**Corporate Governance and Dividend Policy**" was structured in an introductory chapter and four chapters following. The first two mainly theoretical are aiming to achieve a synthesis of extensive literature on developed economies, and the last two are having a strong practical approach, marking a return to Romania's capital market and on its corporate governance deficiencies at the level of enterprises and the entire market, also the peculiarities of dividend distributions. The thesis concludes with the final conclusions of the empirical study and an indication of potential future research.

The **introductory chapter** present arguments considered for the choice of this research topic, outlines the objectives and targets of the investigation and identify the beneficiaries of the request, stating the methodological instruments that were appealed. Also, in an extensive manner are exposed the limits of the research, namely: (i) non-listed enterprises, (ii) enterprises in regulated industries, and (iii) state-owned enterprises. The findings empirically prove, however, that research needs to revisit these limits because enterprises in regulated industries and state-owned enterprises represent important features of Bucharest Stock Exchange ("BSE") in terms of dividend distribution and they can not be excluded.

**The theoretical part of the thesis** deals with corporate governance and factors influencing the dividend policy. The author's contribution is primarily from exploring a vast literature and conducting a comprehensive summary of it, available in an interdisciplinary approach to those interested.

**Chapter 1** is mainly dedicated to corporate governance. It starts with placing the doctrinal content of the concept, its evolution through key moments and discovers crisis as a catalyst for permanent development. The chapter continues with the presentation of definitions belonging to financial and legal doctrine, but also fixing some chronological documentation: reports, governance codes, laws. The level of knowledge is synthesized in the section on literature, particularly the US. The last two sections of the first chapter are affected to corporate governance regimes, and the main theories of corporate governance. The study governance models around the world met today (Anglo American, European and Asian) will highlight the potential explanatory features to subsequent observations made on a sample of companies listed on BSE. Finally, the agency theory of corporate governance is privileged, because it is considered the financial paradigm of corporate governance.

**Chapter 2** discusses the determinants of dividend policy in the context of corporate governance. The beginning of the chapter contains the theoretical premises early research and policy models that have generated many theories on dividends. Among them will be considered especially those that have significance in terms of corporate governance. Thus, Chapter 2 develops the most part of its policy determinants of dividends from among company characteristics (size, profitability, growth opportunities, financial structure and the

structure of share capital), and also market characteristics (taxation, investor protection regulations or competition).

Finally, under the inspiration of the American literature on corporate finance, which operates with the clear distinction between payout policy, as a genre, and dividend policy, as a species, the thesis deals with the problem of share repurchases and challenges to the corporate governance. The issue is important because share repurchases represents an alternative form of profit distribution.

Chapters 3 and 4 are **the applied part of the thesis**, which is conducted in relation to all dividend-paying companies listed on Bucharest Stock Exchange in the period 2003-2012 (Chapter 3), respectively on a sample of 75 dividend-paying companies during the period 2008-2012 (Chapter 4). The study contributes to the literature in Romania dedicated to corporate finance by identifying the factors which influence dividend policy and which are specific to companies listed on BSE. However, it adds to the international literature which deals with the dividend policy of companies in emerging economies. This topic is not only a recent concern of researchers, but it aims to overcome the shortcomings of the researchers orientation on capital markets of emerging or frontier markets generally focuses only on Asian and too little towards those of Central and Eastern Europe.

**Chapter 3** firstly introduces the reader into the issues of the similarities and differences between developed economies and emerging economies as regards dividend policy and also set the objective of the study undertaken in the next chapter: the study of dividend policy of companies listed on BSE. To achieve this, prior observations are made on the cumulative distributions made during the decade 2003-2012. The result would clearly outlining the company distributing dividends profile which acts as issuer on BSE. We conclude that, following the privatization and listing of major state enterprises on BSE, dividend-paying company has three fundamental characteristics: (i) private capital; (ii) belong to the companies from regulated industries; (iii) belong mainly to the energy sector.

In addition, based on the above-mentioned findings, Chapter 3 presents the construction details of the sample and also, the description of the indicators to be used to measure the characteristics of dividend-paying company on BSE.

**Chapter 4** is following the prescriptions of corporate finance literature, which recommends that in emerging markets shall be studied the characteristics of dividend-paying companies rather than to attempt to explain the fundamentals of distribution. Thus, Chapter 4 contains an empirical study on the links between dividend policy and characteristics of dividend-paying companies. Several mathematical models were constructed and they were grouped into four sets of linear regression, simple or multiple. For the purpose of studying the links between distributions of dividends and the characteristics of dividend-paying companies, distribution of dividends will be separated from the dividend policy in the first and second set of regressions. The third set of regressions will analyze the links between the company's capacity to output distributable resources and features of the company. All these regression models take into account indicators calculated for dividends (absolute value of dividend distributions; dividend policy - the distribution rate - and finally, the dividend yield) as dependent variables. The last set of regressions (the fourth one) will set dividend policy indicators as the independent variable in an attempt to determine their influence on corporate performance (considered in terms of profitability) and measured by four indicators, all of them considered as dependent variables.

**The findings** have been gradually presented to the end of each set of regressions. In the end of the thesis, an extensive interpretation of **core findings** have been performed extensively as main conclusions of this research. Also, it have been indicated some future research directions. The epilogue reveals several research areas with high potential for scientific investigation in the near future. In our opinion, the most significant one is the study of the link between dividend policy and corporate governance quality, measured by an index of corporate governance calculated for BSE, which is currently under development.