How Corporate Governance affects the Dividend Payout Policy? Evidence from Oil & Gas sector in North America

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Research Question and Setting

What variables determine the dividend payout policy in the oil and gas industry? Does corporate governance influence this relationship?
Research Question and Setting

Explanatory Variables

- Profitability
- Size of firm
- Cash Flow
- Investment Opportunities
- Taxes
- Oil Price Volatility

Corporate Governance

Explained Variable

Dividend Payout

H_1^+ 
H_2^+ 
H_3^- 
H_4^- 
H_5^- 
H_6^-
## Research Literature

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<tr>
<th>Determinants</th>
<th>Criteria</th>
<th>References</th>
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<td>Target pay-out ratio, profits after taxes, dividend paid current year, dividend paid last year.</td>
<td>Empirical Analysis</td>
<td>Lintner, 1956</td>
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<td>Profits, investment and indebtedness</td>
<td>Empirical Analysis</td>
<td>Dhrymes &amp; Kurz, 1964</td>
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<td>Dividend per share paid last year, profits per share and depreciation per share</td>
<td>Empirical Analysis</td>
<td>Fama &amp; Babiak, 1968</td>
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<td>Profits, cash flows and dividend paid last year.</td>
<td>Empirical Analysis</td>
<td>Chateau, 1973</td>
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<td>Total dividend and net earnings after taxes.</td>
<td>Empirical Analysis</td>
<td>Walter, 1952</td>
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<td>Net profits after taxes, amortization recoveries, change in sales level and index of liquidity.</td>
<td>Empirical Analysis</td>
<td>Darling, 1957</td>
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### Research Literature

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<th>Determinants</th>
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<td>Four contractual governance provisions and three ownership variables.</td>
<td>Empirical Analysis</td>
<td>Atanassov &amp; Mandell, 2018</td>
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<td>Control variables: Size, growth opportunities, financing activities,</td>
<td></td>
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<td>performance and investment.</td>
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<td>CEO pay slice, repurchase / Total assets,</td>
<td>Empirical Analysis</td>
<td>Chintrakarn et al., 2017</td>
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<td>total debt / Total assets and effective tax rate.</td>
<td></td>
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<tr>
<td>Retained earnings, book-to-equity, ROA, sales growth, firm size, cash flow</td>
<td>Empirical Analysis</td>
<td>Chang et al., 2018</td>
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<td>and per capita GDP.</td>
<td></td>
<td></td>
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<tr>
<td>Ownership, dividend paid, employees, assets and capital expenditure.</td>
<td>Empirical Analysis</td>
<td>Paniagua, Rivelles &amp; Sapena, 2018</td>
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<tr>
<td>Insider ownership, dividend payout in last year, ROA, retained earnings to</td>
<td>Empirical Analysis</td>
<td>Balachandran et al, 2017</td>
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<td>total assets, etc.</td>
<td></td>
<td></td>
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Research Method

- Sample
  - 2003 - 2018
  - 682 Firms
  - North America
  - Oil & Gas Sector

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  - Sample
  - 2003 - 2018
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Research Method

- Database: Eikon by Thomson Reuters.
- Data refinement due to lack of information.
- Statistical analysis through panel data.
- Software: Stata

\[ \gamma = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_n x_n + \varepsilon \]
Problems

Corporate Governance

What variables can we select?

- Board Gender Diversity
- Non-Executive Board Members
- Independent Board Members
- Board Cultural Diversity

Escarce information

Increase sample?

Analyze another type of variable

- CSR
- Environmental
- Macroeconomic data
The fossil fuels represent **eighty-one percent of the total world energy production**, setting oil and gas (henceforth O&G) new production records in many countries.


**Contributions**

High importance of the sector

Need to manage efficiently

Focused on the Financial Performance and Corporate Governance
References


- De Miguel Hidalgo, A: Las decisiones de inversión, financiación y dividendos en la empresa, Secretariado de Publicaciones, Universidad de Valladolid (1990), pags. 36-39.
References


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