



Determinants of Dividend Payout in Unlisted Spanish Family and Non-Family Firms

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Abstract The present study analyzes dividends paid in unlisted family and non-family businesses, exploring factors that lead to higher or lower dividend payments. Data from 612 Spanish companies during 12 consecutive years was analyzed. This study indicates that family businesses, as a result of the greater proximity of the family to the business, pay lower dividends. However, we found evidence of higher dividends paid in pyramid structures, susceptible to higher agency costs, both in family and non-family businesses. In family businesses, this can be explained by their aim to maintain levels of trust with minority interests, and in non-family businesses by the purpose to mitigate conflicts of interest as a consequence of greater autonomy of subsidiaries. The evidence obtained adds value to the investigation, which has generally been focused on listed companies. Considering that unlisted companies use the dividend policy to align divergent interests, especially in more fragile governance structures, the results contribute to reduce the gap in research, and have practical implications for companies and investors.

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Determinantes del pago de dividendos en empresas españolas no cotizadas, familiares y no familiares

Resumen Este estudio analiza los dividendos distribuidos por empresas familiares y no familiares que no cotizan en bolsa para identificar los factores que llevan a una mayor o menor distribución de dividendos. El análisis se basa en datos de 612 empresas españolas recogidos durante 12 años consecutivos. Los resultados indican que las empresas familiares, como consecuencia de la mayor implicación de la familia en el negocio, distribuyen menos dividendos. Sin embargo, también encontramos evidencia de que la distribución de dividendos es mayor en estructuras piramidales, susceptibles de mayores costes de agencia, tanto en las empresas familiares como en las no familiares. Este hecho, en el caso de las empresas familiares, puede estar motivado por la preocupación por mantener altos niveles de confianza entre los socios minoritarios, mientras que en el caso de las empresas no familiares se podría deber a la intención de mitigar los conflictos de interés derivados de la mayor autonomía de las filiales. Estas evidencias suponen una contribución a la literatura porque complementan la investigación existente, que se ha centrado fundamentalmente en las empresas que cotizan en bolsa. Teniendo en cuenta que las empresas que no cotizan en bolsa utilizan la política de dividendos para alinear intereses divergentes, particularmente en estructuras de gobierno más débiles, los resultados obtenidos, además de reducir la brecha en la investigación, pueden tener implicaciones prácticas para empresas e inversores.

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1. Introduction

Dividend distribution in the context of family versus non-family businesses is still a controversial topic (Teng et al., 2021). While some studies indicate that family businesses pay more dividends compared to non-family businesses (Bhattacharya et al., 2014; Pindado et al., 2012), others report otherwise (Mulyani et al., 2016; Teng et al., 2021). Family businesses are considered expropriators of minority interests, retaining most of the funds in the company for the benefit of future generations (Wang & Song, 2006). However, the transmission of confidence signals to the capital market can lead to higher dividends, to make the company's shares more competitive and, thus, preventing investors from considering that the governance of these companies does not protect their interests (Attig et al., 2015; Wei et al., 2011).

Despite the research carried out, few studies have focused on unlisted companies (González et al., 2014; Molly & Michiels, 2022), and the known results of publicly traded companies are not directly applicable to them (Dick, 2015), either because of the lower legal protection for investors, or due to more fragile governance systems, resulting from the greater concentration of capital of these companies (Anderson & Reeb, 2003; Seida, 2001). Although unlisted family businesses are more dependent on self-financing and face greater conflicts of interest by opening capital to non-family shareholders (De Massis et al., 2013), research has not yet sufficiently analyzed whether dividends mitigate potential conflicts that may arise, as a result of agency relationships in unlisted companies (Mulyani et al., 2016).

To cover this gap in the literature, the objective of the present investigation is to analyze the dividends paid in unlisted family companies versus unlisted non-family companies, while exploring explanatory factors of the dividend policy. This analysis is based on the effect of companies that are organized in the form of groups of societies, namely the so-called pyramidal structures (greater or lesser distance from the controlling shareholder's pyramid), with an impact on corporate governance. The pyramidal structures are more likely to extract benefits from shareholders, whether through transactions between related parties, incorrect budgets, transfer prices or high compensation from managers (Bjuggren & Palmberg, 2010; González et al., 2014; Sacristán-Navarro & Gómez-Ansón, 2007). Therefore, they support greater agency conflicts, with a greater need to align interests with shareholders, which may lead to a more intensive dividend policy (Sacristán-Navarro & Gómez-Ansón, 2007). For this purpose, we analyzed a sample of 612 large

Spanish companies, mostly organized in groups of societies, in the period from 2008 to 2019. Spanish companies are a fruitful field for carrying out this analysis, as pyramid shareholder structures are prevalent, with a predominance of family businesses (Sacristán-Navarro et al., 2011). Our results indicate that unlisted family businesses pay lower amounts of dividends, compared to their non-family counterparts. On the other hand, subsidiaries of companies with control exercised through pyramidal structures pay larger amounts of dividends, whether they are family businesses or not.

This study makes two contributions to literature. First, it addresses the calls for researching the dividends policy in closely held companies (De Massis et al., 2013; Dick, 2015; González et al., 2014; Molly & Michiels, 2022). Second, it contributes to the literature related to family businesses - since they have limited financial resources - the company's cash outflows as dividends are more weighed (Michaely & Roberts, 2007). The higher dividends paid, as observed in family-owned subsidiaries controlled through pyramid structures, confirm the assumptions of the signal theory, considering that dividends convey an image of trust in family management and thus can facilitate the attraction of non-family investors (Attig et al., 2015; Michiels et al., 2015). In addition, our results have practical implications for policy makers, firms and investors, since dividends in unlisted companies are associated with the alignment of interests between management and majority shareholder, and between majority shareholder and minority investors.

2. Theoretical Fundamentals and Investigation Hypothesis

The agency theory (Jensen & Meckling, 1976) is the main support of investigations that analyzed dividend policy in family versus non-family companies (De Massis et al., 2013; Goyal et al., 2020; Pindado et al., 2012). In this context, agency costs arise originating from the actions necessary to managers performance control in face of divergent interests, with dividends being a mechanism for aligning them, because this will allow more transparent management (Bhaumik & Gregoriou, 2010; Bin et al., 2018). However, the conflicts of interest that are established between shareholders and managers generate higher agency costs that the dividend policy intends to minimize (Villalonga & Amit, 2006). If there are profits, these, in addition to being able to finance the company's future investments, should benefit their owners. In this sense, the financing of new investments will also be carried out by external resources, which subjects the ap-

plication of these resources to market scrutiny, minimizing potential investments that favor the self-interest of managers or majority shareholders (Barros et al., 2020). For this reason, it has been argued that dividends paid are higher when higher agency costs occur (Almeida et al., 2014). Unlisted companies have a greater concentration of capital (De Massis et al., 2013), and in theory, minority interests are less relevant, as these companies do not suffer the pressures of the capital market, associated with the price of shares that motivate greater capital dividends distributions (Michiels et al., 2015). The major shareholder normally occupies management positions in the company (De Massis et al., 2013), having more information about the business than other investors, which can lead to greater information asymmetries (Karjalainen et al., 2020). On the other hand, governance bodies will be potentially more fragile, not being effective in defending minority interests, either because of less legal protection for the investor or because these companies are not subject to similar rules to those of the capital market (Michiels et al., 2015).

Family companies have fewer agency conflicts between shareholders and managers (type I conflict) (Shleifer & Vishny, 1997), since the administration is mostly in the hands of the family, which allows them to exercise greater supervision over the managers performance (Ali et al., 2007). On the contrary, interest conflicts between majority and minority shareholders may be more intense in these companies (type II conflict) (Johnson et al., 2000; Porto-Robles et al., 2022). While the family invests resources in the company, in a long-term perspective, they also pass on the wealth of the company to their descendants, while minority interests will be deprived of the return on their investments (Wei et al., 2011).

The stewardship theory (Davis et al., 1997) is contrary to the assumptions presented by the agency theory regarding these interests. Thus, it is argued that family administrators base their actions not only on financial performance, but also for other reasons such as prestige, ethical practices, and good conduct, as well as acceptance by their family and society (Sakawa & Watanabel, 2019). Bearing in mind that the positions of these representatives last over time, unlike the managers of non-family companies with a faster passage (Le Breton Miller & Miller, 2009), steward managers will have to combine the family interests with those of other stakeholders because, given the long-term perspective of these companies, discretionary procedures that do not consider the equity of the shares can harm the company and the family (Sakawa & Watanabel, 2019; Yoshikawa & Rasheed, 2010). Therefore, in view

of the stewardship theory, the interests of minority shareholders will be safeguarded, whether or not, there is distribution of dividends, since the company's wealth will benefit both majority and minority shareholders in the future (Le Breton Miller & Miller, 2009; Soler et al., 2017), preferring to invest in stewardship and the long-term health of the company (Cennamo et al., 2012; Madison et al., 2016). In this sense, we formulate the following hypothesis:

Hypothesis 1. *Family businesses have lower levels of dividend payments compared to non-family businesses.*

Pyramidal structures allow the controlling shareholder, to hold majority of voting rights, without having most of its capital (Almeida & Wolfenzon, 2007; Bin et al., 2018). In this context agency costs are higher, whether derived from the autonomy of the subsidiaries - some of them far removed from the decision-making power of the controlling shareholder - but also from the innumerable possibilities of expropriating shareholder wealth, such as transfer prices, managers' remuneration or incorrect budgets (Almeida & Wolfenzon, 2007; Bjuggren & Palmberg, 2010; Dyck & Zingales, 2004; González et al., 2014; Morck et al., 2005; Sacristán-Navarro & Gómez-Ansón, 2007).

The conflicts of interest between managers and shareholders are associated with higher dividend payments (González et al., 2014; Mulyani et al., 2016; Vandemaele & Vancauteran, 2015). The dividend policy is presented as a mechanism to reinforce some weaknesses in governance systems, such as the independence of the board of directors to limit the performance of managers to its benefit (Caravaca-Sánchez et al., 2012).

However, the presence of one big shareholder that allows the supervising of managers has a negative effect on the dividend distribution rate (González et al., 2014; Maury & Pajuste, 2005). This evidence is consistent with the argument that the greater concentration of ownership in privately held companies, leads to greater intervention in the controlling shareholder's company, allowing greater supervision of the parent company's managers (Ding et al., 2011). The majority shareholder of these companies usually has experience and interest in the company's operations and can play an active role in the management, and dividends are not considered useful in limiting the managers' influence on the company's profits (Michaely & Roberts, 2007).

However, in subsidiaries, especially those with a greater distance from the majority shareholder, control is indirect, since it is exercised through intermediate companies of the group, and there

is usually greater dispersion of capital (González et al., 2014). In addition to less supervision by the controlling shareholder over the managers of these subsidiaries, there is also less knowledge of the operations carried out by these subsidiaries and therefore greater information asymmetries between the managers of the subsidiaries and the controlling shareholder (Michaely & Roberts, 2007). The combination of these factors will lead to the establishment of higher dividends in subsidiaries, as a way to align the interests between the owner shareholder and the managers (Bhau-mik, & Gregoriou, 2010; Bin et al., 2018). Therefore, we propose:

Hypothesis 2. *Majority shareholder control in subsidiaries, exercised through pyramid structures, is positively associated with dividends paid.*

The agency theory, when focusing fundamentally on the financial aspects, presents limitations to explain the whole reality inherent to family businesses, while the stewardship theory proves to be too optimistic about the behavior of family managers, by understanding that they equally defend family interests and those of other stakeholders (Arthurs & Busenitz, 2003; Pepper & Gore, 2012). The signaling theory (Cooper, 1992) complements the previous theories by considering that managers have more information than shareholders and therefore convey positive or negative signals through dividend policy (Atieh & Hussain, 2012). The greater distribution of dividends increases shareholder confidence in management, as current dividends will indicate future improvements (Attig et al., 2015). In family businesses this will be particularly relevant regarding minority shareholders, in view of the competitiveness of shares and the reputation of the family business (Anderson & Reeb, 2003; Seida, 2001). The objective of these companies of maintaining control over the parent company and the defense of the assets in the family group motivates a preference for their own financing, instead of external financing that can increase the financial risk of the business (Anantavrasilp et al., 2019; De Massis et al., 2013). In fact, external financing has a fixed remuneration, while equity is only remunerated if there are profits (Michaely & Roberts, 2007). The opening of capital to non-family investors provides the business with new knowledge and contributes to mitigating potential problems that family management can cause for the benefit of the company (e.g. rejection of long-term investments) but is considered of high risk for family wealth (De Massis et al., 2013). On the other hand, the representation of non-family shareholders in management can mitigate conflicts be-

tween family members, both those who work for the company and those who do not, because the latter claim benefits from the business for inheritance reasons (De Massis et al., 2013). In short, dividends can be an effective mechanism to attract new investors for reasons of trust in family management, which can prove to be beneficial for the company in terms of capital appreciation (Cano-Rubio et al., 2016; Michiels et al., 2015). Conversely, the dispersion of capital derived from the incorporation of new shareholders increases conflicts of interest in unlisted family businesses, since this clashes with control concerns in these companies (De Massis et al., 2013). The pyramid structure of family groups is related to this problem, since by opening capital in subsidiaries, it minimizes the intervention of minority shareholders in the parent company, while safeguarding that dividends paid by subsidiaries to group companies do not give rise to any outflows of cash abroad (Anantavrasilp et al., 2019; González et al., 2014).

Thus, the presence of non-family investors should reduce conflicts of interest with the majority shareholder because they claim for higher dividends when profits are significant (Duygun et al., 2018). This is consistent with the results of the research conducted on unlisted firms. For example, studies supported by agency theory, report that the disproportionate control between voting rights and ownership interest, which occurs in subsidiaries, gives rise to higher dividends (González et al., 2014).

In addition to these reasons, it is also relevant the information asymmetries that are established between the majority shareholder of family-owned subsidiaries and the minority interests (Connely et al., 2011). These asymmetries may arise associated with the definition of the business strategy in line with the group of companies, along with more informal governance structures (Aguilera & Crespi-Cladera, 2012; Jaggi et al., 2009; Michiels et al., 2015). Thus, family firms need to convey signals of trust to their investors, which can be achieved through higher dividend payouts (Attig et al., 2015). This may also explain that dividends are lower in the parent company relative to subsidiaries, even though there may be minority interests belonging to the family, such as heirs who do not work in the company (Cano-Rubio et al., 2016). The interests of these investors can be assimilated to those of minority shareholders, so it is likely that they demand dividends as a way to remunerate their capital. However, research has found that the protection of family wealth, with the retention of funds in the company, overrides these interests (Vandemaële & Vancauteran, 2015). Therefore, we consider that dividends will be higher in family-owned subsidiaries, so we es-

establish the following hypothesis:

Hypothesis 3. *The relationship between family business and dividends paid is moderated by majority shareholder control. Specifically, family business will pay more dividends when family shareholder control is lower.*

3. Methodology

3.1. Population and sample

The sample was selected from the SABI (Sistema de Análisis de Balances Ibéricas - System for Analyzing Iberian Balances) database, which is often used in family business research (Hernández-Linares & López-Fernández, 2020). We focus on companies with a turnover in 2019 of 100,000 thousand euros or more, in total unlisted companies. The turnover indicator has been used in other studies to select unlisted companies for their size (De Massis et al., 2013). Data was restricted to companies with the legal form of public limited companies, with consolidated financial statements available in the said database (C2 - declaration of the parent company that integrates the declaration of its subsidiaries and affiliates; and U1 - declaration of the company that does not integrate the declaration of possible subsidiaries or affiliates). The sample covered firms from all sectors of activity, excluding those from the financial and insurance sectors, due to the specificities of their accounting rules, in consistency with the research of Cui et al. (2017) and Pindado et al. (2012). The final sample consists of 612 firms, covering data from the period 2008 to 2019. The sample includes the dividends paid in 2020, since in order to construct the dividend indicator we used the corresponding amount paid in the following year (cf. point 3.2). The breakdown between family and non-family companies (cf. criterion presented in table 1 for the FAMILY variable) is 43% and 57% respectively, which is in line with other studies that have focused on unlisted Spanish and Southern European companies (Borralho et al., 2020a; Claessens & Tzioumis, 2006).

3.2. Variables and research model

Dependent Variable

We use as dependent variable the value of dividends paid in the following year divided by total assets in the year (DIVID/ASS), which is in line with previous research (González et al., 2014; Lee, 2010; Michiels et al., 2017; Villalonga et al., 2019). As an alternative measure we also use that value of dividends paid in the following year divided by the equity of the year (DIVID/EQU), considering potential effects of more indebted firms.

Independent variables

We use as independent variables, whether the company is family-owned or not (FAMILY) and the controlling shareholder (SHAREHOLDER). These variables are presented in Table 1.

In the absence of an identification of family businesses, we proceeded to classify them considering the concentration of capital in more than 50% and the family's intervention in the business, identified through the coincidence of names between the majority shareholder and the representatives on the board (Dick, 2015; Diéguez-Soto & López-Delgado, 2018; Soler et al., 2017). The controlling shareholder identifies the level in the shareholder structure at which the company is located, on a scale of 1 to 10. Value 1 refers to the parent company or companies without shareholdings, value 2 to direct shareholdings in subsidiaries and values 3 to 10 identify indirect shareholdings. González et al. (2014) analyzed the pyramidal structures through a dummy variable, considering the existence of indirect shareholdings, given that they focused only on family businesses.

Table 1. Independent variables

<i>FAMILY</i>	Takes the value 1 and 0 if the company is classified as family or non-family respectively. The company is considered a family business if the majority of the capital is held by a family, individual or company, according to the information available in the SABI database.
<i>SHAREHOLDER</i>	The level in the shareholder structure in which the company finds itself in 2019, in relation to the controlling shareholder - the value ranges from 1 to 10, with the first level being the least distant and the last level the most distant.

Control variables

The control variables are size (SIZE), return on assets (ROA), indebtedness (IND), age of the company (AGE), non-duality or separation of functions between the chairman and the CEO (NDUAL), the sector to which the company belongs (SECTOR) and the accounting year (YEAR). These variables are presented in Table 2.

The control variables associated with the financial characteristics of firms that are related to dividends are return on assets and debt (González et al., 2014; Pindado et al., 2012). Research has found a positive statistical association for the former variable and negative for the latter in un-

listed companies (González et al., 2014; Vandemaële & Vancauteran, 2015). The variables company size and age are also positively associated with the dividend policy of companies (González et al., 2014; Pindado et al., 2012). The variable non-duality refers to the separation of functions between the chairman and the CEO and aims to characterize the strategy followed regarding the board of directors, mainly in the alignment of interests between shareholders and managers (Borralho et al., 2020b). The board of directors is the final decision-making body of a company and aims to oversee the relationship of management with stakeholders, reducing information asymmetries (Cohen et al., 2002; Torchia & Calabrò, 2016). The fact that the same person performs the functions of CEO and chairman leads to a concentration of power and this may condition the level of oversight of management, due to the accumulation of functions that may reduce internal effectiveness over control mechanisms in the alignment of interests (Torchia & Calabrò, 2016). The single leadership can restrict the information on the board, and this may condition the ability of the other members to make correct judgments (Liu et al., 2016).

Variable	Description
SIZE	Natural logarithm of total assets.
RETURN ON ASSETS (ROA)	Quotient between operating profit and assets.
INDEBTEDNESS (IND)	Quotient between total liabilities and total assets.
COMPANY AGE (AGE)	No. of years between the year of incorporation and the year to which the financial statements of the observation refer.
NON DUALITY (N-DUAL)	Variable that takes the value 1 if the chairman and CEO roles are held by different people and 0 if held by the same person.
SECTOR	It takes the value 1 if the observation belongs to the sector and 0 otherwise.
YEAR	It takes the value 1 if the observation belongs to the accounting period and 0 otherwise.

Research model

The analyses are conducted through the regression model presented in equation 1. Firstly, we analyze the effect of the control variables and then we check the changes that occurred with the introduction of the independent variables. Finally, we analyze the interaction effect of the family variable (FAMILY) with the levels of the controlling shareholder (SHAREHOLDER).

$$\text{DIVID} = \alpha + \beta_1 \text{SIZE} + \beta_2 \text{ROA} + \beta_3 \text{IND} + \beta_4 \text{AGE} + \beta_5 \text{N-DUAL} + \beta_6 \text{FAMILY} + \beta_7 \text{SHAREHOLDER} + \beta_8 \text{FAMILY} * \text{SHAREHOLDER} + \beta_9 \text{SECTOR} + \beta_{10} \text{YEAR} + \varepsilon \quad (1)$$

We applied the panel data model, fixed and random effects. The Hausman test did not allow rejecting the null hypothesis ($p > 0.10$), simultaneously for the main model that expresses the relationship between dividends paid and assets ($X^2 = 25.38$; $p = 0.063$) and for the alternative model, concerning the relationship between dividends and equity ($X^2 = 67.029$; $p = 0.000$), so we choose the fixed effects model.

4. Results

4.1. Descriptive statistic

Table 3 presents the descriptive statistics for the dependent variable, independent and control variables. Except for the ROA variable, the remaining variables show statistically significant differences in the means (t-test) of the data between family and non-family businesses. These differences highlight some of the characteristics of family businesses, such as smaller size, lower indebtedness, higher age, less decentralization, and greater duality in the roles of chairman and CEO.

Table 4 presents the bivariate correlations, which confirms that there is no high degree of correlation between the independent and control variables. The coefficients obtained are lower than the recommended value of 0.65 (Tabachnick & Fidell, 2012).

4.2. Multivariable analysis

In Table 5, we present the empirical results of the applied model step by step. Columns C1 to C3 present the main model (dividends paid divided by assets), respectively for the control, independent and interaction effects variables. Columns C4 to C6 present in the same order the alternative model (dividends paid divided by equity).

Table 3. Descriptive statistics

	<i>DIVID/ASS</i>	<i>DIVID/EQU</i>	<i>SIZE</i>	<i>ROA</i>	<i>IND</i>	<i>AGE</i>	<i>N-DUAL</i>	<i>FAMILY</i>	<i>SHAREHOLDER</i>
Sample N = 7,344									
Mean	0.027	0.088	11.921	0.058	0.648	32.16	0.38	0.43	2.80
Median	0	0	11.694	0.049	0.692	28.0	0	0	2.0
Standard deviation	0.065	0.223	1.417	0.095	0.251	19.09	0.486	4.95	1.88
Family N = 3,168									
Mean	0.025	0.072	11.636	0.058	0.637	32.73	0.32		2.44
Median	0	0	11.460	0.055	0.648	29.0	0		2.0
Standard deviation	0.057	0.199	1.178	0.083	0.233	16.78	0.466		1.67
Non-Family N = 4,176									
Mean	0.030	0.099	12.137	0.057	0.656	31.73	0.43		3.07
Median	0	0	11.906	0.047	0.672	26.0	0		3
Standard deviation	0.070	0.238	1.540	0.104	0.257	20.67	0.495		1.98
Difference in means (Est. t)	-0.005***	-0.027***	-0.50***	+0.001	-0.019***	+1.00**	-0.11***	-	-0.63***

***p < 0.01; **p < 0.05; *p < 0.1

Table 4. Bivariate correlations

Variables	1	2	3	4	5	6	7	8	9	10	11
1. <i>DIVID/ASS</i>	1										
2. <i>DIVID/EQU</i>	-	1									
3. <i>SIZE</i>	0.035***	0.062***	1								
4. <i>ROA</i>	0.391***	0.317***	0.012	1							
5. <i>IND</i>	-0.151***	0.079***	-0.008	-0.320***	1						
6. <i>AGE</i>	-0.047***	-0.090***	0.118***	-0.052***	-0.109***	1					
7. <i>N-DUAL</i>	0.010	-0.045***	0.102***	0.029***	-0.101***	0.087***	1				
8. <i>FAMILY</i>	-0.060***	-0.061***	-0.175***	0.008	-0.038***	0.026**	-0.112***	1			
9. <i>SHAREHOLDER</i>	0.037***	0.069***	-0.010	-0.045***	0.100***	-0.055***	-0.062***	-0.164***	1		
10. <i>FAMILY*SHAREHOLDER</i>	-0.020*	-0.013	-0.096***	-0.016	0.039***	-0.019*	-0.098***	-	0.272***	1	
11. <i>SHAREHOLDER*N-DUAL</i>	0.02	-0.032***	0.095***	-0.012	-0.041***	0.028**	-	-0.130***	0.364***	0.033***	1

*** p < 0.01; ** p < 0.05; * p < 0.1.

From the results of the control variables, it is observed that they are statistically significant, apart from the variables *N-DUAL*, *SECTOR* and *YEAR*. The variables size (*SIZE*: $\beta = 0.210$; $p < 0.01$) and profitability (*ROA*: $\beta = 0.261$; $p < 0.01$) show a positive coefficient, indicating that larger and more profitable companies have a higher propensity to pay dividends. The variables indebtedness (*IND*: $\beta = -0.008$; $p < 0.01$) and age of the firm (*AGE*: $\beta = -0.008$; $p < 0.05$) have a

negative relationship with dividends. Firms with lower debt pay more dividends, which may be associated with higher rates of return on assets. The non-duality variable is not significant in the main model despite showing negative sign but is significant in the alternative model (*N-DUAL*: $\beta = -2.230$; $p < 0.01$). The evidence obtained is corroborated by the alternative model. As seen in C2, all independent variables, family firm and shareholder are statistically signifi-

cant. Family firms express a negative relationship with dividends (FAMILY: $B = -0.667$; $p < 0.01$), as expected. This result corroborates hypothesis 1. The relationship with the controlling shareholder is positive and significant (SHAREHOLDER: $B = 0.171$; $p < 0.01$), indicating that these companies may suffer higher agency costs, and these are minimized through the dividend policy. This result, also evidenced in the alternative model, corroborates hypothesis 2. In C3, we observe the interaction effect of family firms with the controlling shareholder. The greater remoteness of the controlling shareholder in family firms is a generator of higher dividends paid (FAMILY*SHAREHOLDER: $B = 0.173$; $p < 0.05$). This result corroborates hypothesis 3. The model proves to be significant and the coefficients of determination R^2 reach values of 28% in the main model, being consistent with other research (Goyal et al., 2020; Smith & Pennathur, 2019).

4.3. Additional analysis

Given the option for data on consolidated financial statements and the risk of possible duplication of companies in the data values, we separated the sample between the two types of accounts (C2 - declaration of the parent company that integrates the declaration of its subsidiaries and affiliates; and U1 - declaration of the company that does not integrate the declaration of possible subsidiaries or affiliates). The results obtained from these subsamples are consistent with those observed for the total sample used, so this problem does not influence our conclusions.

In addition, we have observed, through the analysis shown in Appendix A, if the dividends paid are associated with weaknesses in the governance systems. The moderating effect of the shareholder variables with the non-duality presents statistical significance of negative coefficient (SHAREHOLDER*N-DUAL: $B = -0.143$; $p < 0.10$). In the alternative model, the referred ef-

Table 5. Empirical results

	C1	C2	C3	C4	C5	C6
Dependent variable	DIVID/ASS			DIVID/EQU		
Independent variables	B/S.E.	B/S.E.	B/S.E.	B/S.E.	B/S.E.	B/S.E.
<i>a</i> (constant)	-2.185*	-1.569	-1.348	-21.843***	-19.932***	-20.033***
	(1.206)	(1.242)	(1.247)	(4.183)	(4.313)	(4.328)
SIZE	0.210***	0.168***	0.156***	1.186***	1.058***	1.064***
	(0.053)	(0.054)	(0.054)	(0.184)	(0.186)	(0.187)
ROA	0.261***	0.262***	0.262***	0.877***	0.879***	0.879***
	(0.008)	(0.008)	(0.008)	(0.027)	(0.027)	(0.027)
IND	-0.008***	-0.009***	-0.009***	0.155***	0.152***	0.152***
	(0.003)	(0.003)	(0.003)	(0.010)	(0.010)	(0.010)
AGE	-0.008**	-0.007*	-0.007***	-0.035***	-0.030**	-0.030**
	(0.004)	(0.004)	(0.003)	(0.014)	(0.014)	(0.014)
N-DUAL	-0.167	-0.189	-0.199	-2.230***	-2.298***	-2.294***
	(0.147)	(0.148)	(0.148)	(0.511)	(0.514)	(0.514)
FAMILY		-0.667***	-1.139***		-2.047***	-1.830**
		(0.149)	(0.267)		(0.518)	(0.927)
SHAREHOLDER		0.171***	0.112**		0.521***	0.549***
		(0.039)	(0.048)		(0.134)	(0.165)
FAMILY*SHAREHOLDER			0.173**			-0.080
			(0.047)			(0.281)
SECTOR		n.s.			n.s.	
YEAR		fixed			fixed	
R ²	27.4%	27.9%	28.0%	26.6%	27.0%	27.0%
Significance level	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
N	7.344					
***p < 0.01; **p < 0.05; * p < 0.1; S.E. - Standard error (in brackets); n.s. - not significant						

fect is strength ($\beta = -0.758$; $p < 0.01$). This result corroborates the idea that higher dividends are motivated by the weaknesses in the governance systems of subsidiaries with greater distance from the controlling shareholder.

5. Discussion

The divergences found in the literature regarding dividend payment in family and non-family firms led us to formulate the research hypothesis that family firms pay lower dividends than non-family firms in unlisted companies (hypothesis 1). The results obtained support this hypothesis by a negative relationship between the dividends and the familiar variable, which is consistent with other research conducted in unlisted companies (Dick, 2015; González et al., 2014; Vandemaele & Vancauteran, 2015). This result also corroborates the findings of studies conducted in listed companies in several European countries that showed that family firms only pay more dividends when there is a risk of expropriation of minority interests and it is necessary to convey signals of trust to investors (Pindado et al., 2012). In the presence of a second non-family shareholder these signals will not be needed and therefore dividends will be lower (Pindado et al., 2012).

Next, we verified whether dividends mitigate potential conflicts of interest that arise associated with agency relationships (Ding et al., 2011; Maury & Pajuste, 2005), both in family and non-family businesses. To this end, we used control exercised through pyramidal structures as a research instrument, observing, whether the greater distance of subsidiaries from the controlling shareholder can lead to higher dividend payments (hypothesis 2) and whether this is also valid for family firms (hypothesis 3). The results corroborate both hypotheses by showing a positive relationship between dividends paid and the level of remoteness from the controlling shareholder. This can occur both to align the interests between managers and the majority shareholder and between the majority and minority interests. On the one hand, the greater distance of the subsidiaries may lead to insufficient supervision of managers by the controlling shareholder, who usually holds management positions in the parent company. On the other hand, the prevalence of institutional investors in subsidiaries such as banks, insurance companies, equity and pension funds, as well as international investors, may lead to greater pressure to pay dividends, reducing the conflict. The limited research on the control of pyramid structures and dividends, do not conclude whether pyramid structures pay more or less dividends, although they did obtain a positive relationship when there are discrepan-

cies between the voting rights of the controlling shareholder and the cash flow rights of the ownership stake. Since these results are associated with greater conflicts of interest, this is consistent with the results obtained that we associate with weaknesses in governance systems.

Literature has considered that dividends mitigate weaknesses in corporate governance systems, so in this context we have analyzed whether the level of dividends is associated with these weaknesses (Pindado et al., 2012). To this end, we analyzed the relationship between dividends and the non-duality of functions between the chairman and the CEO. The board of directors is the guarantor of the defense of shareholders' interests and this separation of functions aims to safeguard the independence of the chairman in supervising managers. This relationship revealed greater significance in subsidiary companies, which are more distant from the controlling shareholder, a result we attribute to the fact that many subsidiaries are characterized by CEO duality, especially in family-owned companies. The average of companies with separate functions between the chairman and CEO is only 38% and in family companies 32%. (see Table 3).

The higher agency costs in family businesses (Chrisman et al., 2004), potentially caused by the existence of sophisticated shareholders that are business partners or institutional investors, lead to higher dividend payments in these companies. These entities integrate the return on financial holdings into their operations, so it has been argued that they will exert greater pressure to pay dividends (González et al., 2014; Villalonga & Amit, 2010). On the other hand, dividends increase investor confidence in family management for reasons of greater transparency, which also positively influences the family's image and consequently family wealth (Borralho et al., 2022; Cano-Rubio et al., 2016; Michiels et al., 2015). In addition to confirming the hypotheses, we also confirmed other determinants associated with the dividends paid. Unlisted firms pay higher dividends when they have larger size and profitability and lower debt. These results are consistent with others observed in unlisted firms (González et al., 2014; Yoshikawa & Rasheed, 2010). Regarding the influence of firm age, in line with what was reported by Vandemaele and Vancauteran (2015), who studied the effect of family generations, it is younger firms that pay more dividends. This stems from the way groups in pyramidal structures are created. As opportunities for corporate development arise, there are subsidiaries created that associate business partners (Almeida & Wolfenzon, 2007), that pay the dividends, and not the parent company.

6. Conclusions

Based on a sample of 612 unlisted Spanish firms, this paper examines whether family firms have lower/ higher propensity to pay dividends. The results indicate that family-owned closely held companies pay lower dividends compared to non-family counterparts. Family intervention in the business leads to lower agency costs and therefore less need for dividend distribution in order to align the interests between shareholders and managers. However, dividends were found to be higher in subsidiaries controlled through pyramid structures. Opening the capital of subsidiaries to other business partners leads to the need to generate confidence in investors, which seems to lead to the payment of higher levels of dividends, in order to reduce agency conflicts between majority and minority shareholders (agency problem type II).

This conclusion differs from non-family businesses, where higher dividends paid by subsidiaries are mainly associated with agency costs and information asymmetries between the controlling shareholder and subsidiary managers (agency problem type I). The greater distance of the controlling shareholder from the management of these companies leads to the need for alignment of those interests (between the owner and the managers), which is reinforced by weaknesses in the governance systems.

The main limitation of the study is that the data source we had access to does not have information on voting rights, so it was only through indirect information on the characteristics of the board of directors that we were able to analyze the factors that explain the higher dividends in subsidiaries. Considering that the board of directors should defend shareholders' interests, the lower independence of this body in relation to the company's current activities indicates the need for higher dividends. On the other hand, in the classification of family businesses we have matched the family's participation in the board of directors. Therefore, we consider that the higher dividends in these companies are associated with the protection of minority interests, given the family's greater propensity to retain funds in the company.

As future research lines we suggest further investigation to confirm whether dividends paid result from differences between voting rights held by the majority shareholder and cash flow rights. Unlisted family and non-family firms have many similarities that are associated with higher concentration of capital, so type II agency costs may be equally relevant in non-family firms. On the other hand, it can also be observed if the dividend policy favors or conditions the Corpo-

rate Social Responsibility (CSR) measures in family and non-family businesses (Benlemlih, 2017; Borralho et al., 2022). Considering that dividends focus on increasing business transparency which is also reinforced by CSR (Borralho et al., 2022), it will be important to observe how companies articulate these two dimensions, since dividends reduce self-financing and therefore the financial resources available to carry out those actions.

Our findings make, at least, two contributions to literature. First, this paper extends the literature related with private equity firms investigation (De Massis et al., 2013; Dick, 2015; González et al., 2014; Molly & Michiels, 2022). These companies are more dependent on bank financing, and this can condition their dividend policy, so we emphasize shareholder control in pyramid structures (Almeida & Wolfenzon, 2007; González et al., 2014). Second, it contributes to increasing knowledge of the family business domain. Family businesses are dominant in the European business environment (Borralho et al., 2020b) and usually have more limited financial resources. Dividend policy can increase confidence in the management of these companies and therefore attract non-family investors (Attig et al., 2015; Michiels et al., 2015). In addition, our results may be useful for policy makers, firms and potential investors. Policy-making bodies may consider our results for the definition of corporate legal rules and may set limits on dividend payments. Companies may have an interest in the effects of the dividend policy of their peers, and the investors to consider that such policy may mitigate weaknesses in corporate governance systems.

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Appendix A

	C1	C2
Dependent variable	DIVID/ASS	DIVID/EQU
Independents variables	B/S.E	B/S.E
a (constant)	-0.887 (0.787)	-21.421*** (4.355)
SIZE	0.161*** (0.054)	1.085*** (0.188)
ROA	0.261*** (0.008)	0.876*** (0.027)
IND	-0.009*** (0.003)	0.151*** (0.010)
AGE	-0.006*** (0.004)	-0.032** (0.014)
N-DUAL	0.197 (0,263)	-0.202 (0.914)
FAMILY	-1.102*** (0.268)	-1.632* (0.929)
SHAREHOLDER	0.171*** (0.057)	0.863*** (0.201)
FAMILY*SHAREHOLDER	0.164** (0.080)	-0.125 (0.281)
SHAREHOLDER*N-DUAL	-0.143* (0.078)	-0.758*** (0.274)
SECTOR	n.s.	n.s.
YEAR	fixed	fixed
R ²	28.0%	27.1%
Significance level	0.000***	0.000***
N	7,344	
***p < 0.01; **p < 0.05; * p < 0.1; S.E. - Standard error (in brackets); n.s. - not significant		