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## **Disclosure quality and corporate governance: Evidence from the French Stock Market**

This paper examines a combined set of corporate governance features that influence disclosure quality in a context of ownership concentration. Agency theory presents a theoretical framework linking disclosure decision to corporate governance mechanisms. Using a Multiple Correspondence Analysis (MCA), we find that firms with poor disclosure quality have higher ownership concentration, are family controlled, have a low proportion of outside directors in the board, little presence of institutional investors in the capital shares, no executive stock options plans, and present dual class shares. The MCA results also show that firms with good disclosure are not controlled by families and are characterised by a high proportion of outside directors in the board, ownership dispersion and a significant presence of institutional investors in the capital shares. As a confirmatory analysis, we use a binary LOGIT. After controlling for size, multiple listing and CAC40 membership, the results confirm a negative association between disclosure quality and family control, double voting shares grant, and ownership concentration. The results also show a positive relationship between disclosure quality and the presence of executive stock options plans, and the proportion of independent directors in the board. These findings shed the light on corporate governance features that enhance incentives for good disclosure under high ownership concentration.

## **Disclosure quality and corporate governance: Evidence from the French Stock Market**

### **1. INTRODUCTION AND MOTIVATIONS**

Following recent financial scandals, corporate governance has drawn the attention of regulators and policy makers (NRE act, Bouton report (2002), LSF act...). On one hand, the LSF act, similar to the Sarbanes-Oxley act in USA, fight opaqueness and requires companies to present to general meeting, the organization of the works of the board, the internal control procedures and the delegation of powers. On the other hand, the NRE act reinforces the advertising of shareholders' treaties (*pactes d'actionnaires*) and incites to reveal shareholder's identity; it also widened the shareholder right for information by getting rid of the possibility of subordinating in the corporate status the right to participate in general meetings to the possession of a minimal number of shares.

The present study examines the impact of several corporate governance mechanisms on disclosure quality. Early research has examined the effect of different governance mechanisms in a single study. These mechanisms deal with: the proportion of independent directors in the board (Chen and Jaggi's, 2000, Forker, 1992, Dechow et al., 1996, Beasley, 1996), the board size, the unitary leadership structure (Wong, 2001, Forker, 1992), ownership structure and shareholders relationships (Ho and Wong, 2001, Chau and Gray, 2002), institutional investors' activism (Bushee and Noe, 2001, Elgazzar, 1998).

Although extensive research had been made in the US where the ownership is dispersed and investors are highly protected, work on the association between corporate governance and disclosure in Europe and particularly in France is still incipient. There are at least three

reasons why the relation between disclosure and corporate governance for French companies deserves a deeper analysis. First, ownership structure in France is concentrated and investors are less protected than in common law countries such as the USA. Second, many listed French firms are controlled and managed by families while the separation between ownership and management is the main form of corporate governance in the USA. Finally, French firms, as European ones in general, are less transparent and have less frequent disclosures than their Anglo-American counterparts.

We measure disclosure quality using the annual report prices of AGEFI and Euronext. First, we carried out a multiple correspondences analysis (MCA) after recoding the quantitative variables. The use of the MCA permit us to study and to put in evidence on the mapping not only the strong values of the variables but also the weak ones. Therefore, it permitted us to characterise better both groups of firms of the sample, namely those who have a good disclosure quality and those who have poor disclosure quality. The result of the MCA shows that firms with poor disclosure quality are characterised by a high ownership concentration in the hands of families, a low proportion of outside directors in the board, little presence of institutional investors in the capital shares, no executive stock options plans and the presence of dual class shares. On the other hand, we find that firms with good disclosure are not controlled by families and are characterised by a high proportion of outside directors in the board, ownership dispersion, and a significant presence of institutional investors in the capital. Second, using a binary LOGIT regression, we find a negative association between ownership concentration and disclosure quality. One explanation for this relationship is that under high ownership concentration, controlling shareholders are less reliant on minority shareholders and may expropriate them; therefore, they have fewer incentives to disclose information and they prefer to retain it. The results also show a negative association between

family control and disclosure quality. This is consistent with the assumption that family controlled firms have little incentive to disclose information to public because these families hold many of the senior staff positions; therefore the demand for information in such companies is relatively low because the major investors already have that information. Finally, we find that disclosure quality is negatively associated with double voting rights shares.

The remainder of this paper is organized as follows. Section two reviews prior literature and presents the hypotheses development. Section three provides a description of our sample and variable measurement. Results and conclusions are exhibited at sections four and five, respectively.

## **2. LITERATURE REVIEW**

This article aims to explain the differences in financial disclosure quality for French firms considering various attributes of corporate governance. Following Charreaux (1996, 1997), we define corporate governance as “All the organisational mechanisms which have the effect of bounding the powers and of influencing the decisions of the managers, in other words, which delimit their driving and define their discretionary space”<sup>1</sup>. Corporate attributes examined in this study consist of ownership structure, institutional investor’s ownership, board characteristics (board size, proportion of outside director in the board), the presence of a unitary leadership structure (CEO/chairman) and the existence of executive incentives based on stock prices.

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<sup>1</sup> Charreaux (1997) « ... l'ensemble des mécanismes organisationnels qui ont pour effet de délimiter les pouvoirs et d'influencer les décisions des dirigeants, autrement dit, qui 'gouvernent' leur conduite et définissent leur espace discrétionnaire ».

## **Corporate disclosure and institutional activism**

Institutional investors play a major role in financial market. Recent articles published in financial press documented the institutional investor activism and their will to constrain managers to respect corporate governance practises and to improve transparency (Medidep general meeting (les Echos 16/09/05), Alcatel general meeting (Le Figaro 10/04/03), ABN-AMRO (le Temps 22/02/07), Vivendi Universal (la Tribune 02/05/05)). Moreover, institutional investors are the major suppliers of funds in financial market. They often hold large blocks of shares in larges firms which leads them to become the main actor in corporate governance structures. Shleifer and Vishny (1986) report that the presence of institutional investors in the capital shares is considered as a manager control mechanism.

Bushee and Noe (2000) argue that institutional investors are sensitive to corporate disclosure practices. First, institutional investors might be attracted to firms with good disclosure quality because such disclosure could reduce the price impact of trades. Second, good disclosure may influence the potential for profitable trading opportunities which raises the interest of institutional investors. Also, institutions that are active in corporate governance could prefer firms with informative disclosure if they rely on public disclosure or they do not have enough resources to engage in private information. Finally, corporate disclosure is a low-cost mechanism for monitoring manager performance; therefore, institutional investors have incentives to constrain managers to disclose relevant information. Elgazzar (1998) argues that large institutional ownership may induce a higher level of voluntary disclosure. This finding is also supported by Bushee and Noe (2001). The discussion here leads us to test the following hypothesis:

***H1: There is a positive relationship between institutional investor's ownership and disclosure quality.***

### **Corporate disclosure and board characteristics**

According to Williamson (1985, p. 47), opportunism " . . . refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, obfuscate or otherwise confus". Williamson's (1985) analysis of transaction costs provides a framework linking disclosure quality to corporate governance. According to Forker (1992), "Management are assumed to balance potential benefits from less disclosure against costs in the form of lower share prices and increased threat of takeover and to choose the quality of disclosure which minimises the costs they incur"; therefore, adoption of internal control devices such as outside directors, executive stock compensation and separation of the roles of chairman and chief executive officer, enhance monitoring quality and reduce benefits from withholding information; resulting in disclosure quality improvement.

Fama (1980) suggests that some board characteristics help ensuring managers monitoring. The objective of this study is to show how some characteristics of the board could constrain manager to improve their transparency and to work in accordance with shareholders' expectations. Previous studies have identified three main board characteristics affecting the monitoring efficiency i.e. board independent directors, board size and board leadership structure (Chen et Jaggi's, 2000; Forker, 1992; Jensen et Meckling, 1983; Ho and Wong, 2001).

Inclusion of independent directors on corporate boards started to receive increasing attention (Vienot report (1995), Bouton report (2002)). Chen and Jaggi (2000) present two main

arguments in support of independent directors. First, independent directors provide advice to corporate boards on strategic decisions, which may improve the firm's economic and financial performance. Second, independent directors have more incentives to monitor management decisions and activities. Fama (1980) assumes that outside directors are the ultimate internal monitor of managerial decision-making, whose task is to protect the interests of the shareholders. Fama and Jensen (1983) suggest that boards composed of a higher proportion of independent directors have greater control and monitoring on managerial decisions. In addition, it is assumed that independent directors have incentives to exercise their decision control in order to maintain reputational capital.

Following Jensen and Meckling (1983), we assume that outside directors have incentives to develop reputations as experts in decision control. In fact, most outside directors of open corporations are either managers of other corporations or important decision agents in other complex organisations. Consequently, the value of their human capital depends primarily on their performance as internal decision managers in other organisations.

Prior research finds a positive relation between the proportion of outside directors in the board and financial statement frauds risks (Dechow, Sloan et Sweeney (1996), Beasley (1996)). The presence of outside directors ensures that the monitoring of the board is effective. In fact, when the board is dominated by non independent directors, complicity between manager and board members could happen. This could harm shareholder's interests and firm transparency.

Cheng and Jaggi (2000) document that « Monitoring of corporate boards by INDs suggests that corporate boards will become more responsive to investors, and inclusion of INDs on



boards will improve the firm's compliance with the disclosure requirements which in turn will enhance the comprehensiveness and quality of disclosures ».

Using a sample of 82 UK listed companies on the period 1988-1989, Forker (1992) shows a positive association between financial disclosure quality and the proportion of outsiders directors on the board. Eng and Mak's (2003) direct measure of nonmandatory disclosure is significantly and negatively associated with the proportion of independent directors. We thus test the following hypothesis:

***H2: There is a positive association between the proportion of outside directors and disclosure quality.***

Mak and Li (2001) argue that when a single individual wears the hats of both the CEO and chairman of the board (unitary leadership structure), managerial dominance is greatly enhanced since that individual is more aligned with management than with stockholders. Ho and Wong (2001) assert that Firms whose have one individual who serves as both chairman and chief executive officer/managing director (CEO duality) are considered to be more managerially dominated. Consequently, the person who occupies both roles would tend to withhold unfavorable information.

In France, the Vienot report (1999) and the NRE act (2001) recommend the dissociation between the CEO and the board chairman position in order to balance of power between the board who control manager and the CEO who make daily actions. However, when the CEO is the chairman, the board couldn't be an effective to control manager decision because it will

be difficult to limit the decision discretion of individual top managers since the chairman of the board is also part of the top management.

Ho and Wong (2001) assert that Firms that have one individual who serves as both chairman and CEO (CEO duality) are considered to be more managerially dominated. Consequence, the person who occupies both roles would tend to withhold unfavorable information. Forker (1992) find that CEO/chairman duality is negatively associated with disclosure quality.

***H3: there is a negative relation between unitary leadership structure and disclosure quality.***

In respect to the size of the board, John and Senbet (1998) suggest that while the board's monitoring capacities increase as the number of members on the board increases, this benefit may be offset by the incremental cost of poorer communication and decision making efficiencies that are often associated with large groups. Many prior studies basing their models on principles of cohesion of the groups, suggest the benefits of small sized board (Bantel and Jackson, 1989; Brown and Mahoney, 1992). In fact, with dispersed opinions and non-cohesiveness in viewpoints, a board that is too large may actually have diminished monitoring capabilities. The results of Lipton and Lorsch (1992) and Jensen (1993) are consistent with this suggestion. Empirically, Yermack (1996) find that firm valuation negatively related to the size of the board. Thus, there is no preponderance of theory empirical evidence to suggest a relation between board size and levels of voluntary disclosure, and it remains an empirical issue. The hypothesis in relation to board size and disclosure quality is stated in the null:

***H4: There is no association between board size and disclosure quality***

**Corporate disclosure and executive stock-option plans**

According to agency theory, shareholders have incentive to pay for monitoring expenditures to protect their wealth from manager expropriation. Managers who benefits from stock option plans should have a concern about the economic consequences of their actions since their wealth depends of firm value. Also, disclosure enhance firm liquidity and firm's value therefore, managers interested in trading their stock holdings have incentives to improve their disclosure to increase liquidity and their stock value.

Nagar et al. (2003) study a sample of 1129 firms during 1992-1995 and examine the relation between managers' disclosure activities and their stock price-based incentives. They find that stock price-based incentives in the form of stock-based compensation mitigate agency problem. The authors show that firms' disclosures are positively related to the proportion of CEO compensation affected by stock and suggest that shareholders choose to recourse to stock options to reach target level of disclosure. We then hypothesize that firms offering stock option plans to managers provide good quality of disclosure:

***H5: there is a positive association between disclosure quality and executive stock option compensation***

**Corporate disclosure and ownership structure**

According to agency theory, Jensen and Meckling (1976) suggest the separation between ownership and control of a firm raises agency costs due to conflicts of interest between manager and shareholders. Fama and Jensen (1983) point out that in case of widely held

ownership, the potential for conflicts between principal and agent is greater than in more closely held companies. “As a result, information disclosure is likely to be greater in widely held firms so that principals can effectively monitor that their economic interests are optimized and agents can signal that they act in the best interests of the owners” Chau and Gray (2002). Research is very limited on this issue in French context (Labelle and Schatt, 2005; Lakhali, 2004).

Gelb (2000) used a sample of 3,219 US listed companies on the period 1981-1993 to examine the relationship between ownership concentration and disclosure in the USA where ownership is widely dispersed. The author concludes that ownership dispersion increases outsiders’ information demand and thus firm disclosure. In a context of capital concentration such as in French listed firms, the main agency conflict opposes controlling shareholders to minority ones. Controlling shareholders have incentives and opportunities to expropriate minority shareholders; moreover they staff many of the senior position which gives them an unlimited access to information. They are therefore less reluctant to disclose information to public in order to protect their position. The above discussion suggests the alternative hypothesis:

***H6: There is a negative relationship between disclosure quality and ownership concentration***

Family controlled firms have a special behaviour, family members participate in the management of the firms and according to Pichard-Stamford (2002), there are usually confusion between family value and firm value, families act as “entrepreneurial” worried to preserve the firms from curious competitors and to protect its competitive advantage. According to proprietary cost theory, family controlled firms have an incentive not to disclose information that will reduce their competitive position.

In addition, Chau and Gray (2002) document that family controlled firms may have less demand for corporate disclosure than Anglo-American firms because the major providers of finance already have that information. We suggest therefore the following hypothesis:

***H7: Family controlled firms provide poor disclosure quality***

La Porta et al. (1998, 2000) argue that countries with civil law system as France present weak investor protection and higher private benefits of control. In France, firms have the possibility of issuing shares with double voting right when they are registered for at least two years. The deviation from one-share one-vote increases the risk of minority shareholders expropriation and amplifies the agency problem between controlling shareholders and minority ones. The separation of cash flows right and voting rights facilitate the expropriation of minority shareholders.

When controlling shareholders hold cash flow rights below to their control rights, they don't support all the consequences of their vote. They have more incentives to exploit small shareholders and have less incentive for transparent disclosure since they already have that information. Controlling shareholders can expropriate minority interest and enrich themselves through connected party transactions in which profits are transferred to other companies they control. Consequently firms adopting dissociation between voting rights and cash flow rights are likely to provide poor disclosure quality

***H8: there is a negative association between disclosure quality and the dissociation between voting rights and cash flow rights***

### **3. SAMPLE SELECTION AND VARIABLE MEASUREMENT**

#### **Sample**

The sample is selected from firms listed on Paris Stock Exchange and part of SBF 120 index in 2004 (120 biggest companies). Following Depoers (2000), we eliminate financial and insurance companies because of their specific disclosure requirements and financial characteristics. Second, 9 companies were excluded from the sample because of data lacking. Finally, 5 outliers were excluded from the sample. The final sample is composed of 86 companies, as shown in Table 1a. A list of the companies included in the sample is reported in the Appendix.

We choose the year 2004 because of information availability about disclosure quality. The measure is collected from a study made by AGEFFI and Euronext in 2004. This study mentions many companies who were short listed for a disclosure price. We suggest that the nominated firms have a good disclosure quality.

#### **Measurement of variable**

According to Marston and Shrikes (1991), managers use multiple channels to disclose information to public. Some are formal (annual and quarterly reports...), and others are informal (analyst meeting, conference calls...). Lung and Lundholm (2003) find a positive relationship between financial disclosure level and the level of information included in annual report.

The disclosure quality is a very difficult variable to measure in a French context. In the USA, there are many organisms of disclosure quotation for example AIMR (Association of Investment Management Research), FAF (Financial Analysts Federation Corporate

Information Committee), there is no similar ones in France. In recent research published by Labelle and Schatt (2005) had used a survey handled by Nelson Sofres Institut for AGEFI and Euronext in 2000. This survey award different prices to listed companies for the quality of it disclosure, by compartment of quotation (New Market, etc.), by means of disclosure (annual reports, etc.) and by type of operations on the market (first introduction on the Stock Exchange, etc.). A similar study was conducted in 2004; for our study need, we retained the best annual report price. This first step of the survey present a shortlist of SBF120 companies who present good annual report quality and the second step consist in electing the best annual report. Our dependant variable DISCL equal to 1 if the firm was nominated and 0 otherwise.

We measure institutional investor control by the percentage of capital shares held by institutional investors. 3 proxies are used to characterise board structure, the board size (CONSEIL), the independence of the board (INDEPEND) and leadership duality (CUMUL). In the USA and the UK, the concept of independent director is close to outside/non executive concept. We base our research on the definition given by the Bouton report (2002) “a director is independent when he maintains no relation whatever nature it is with the company, its group or its management, which can compromise the exercise of its freedom of judgement”.

We include 3 proxies for ownership structure relying on Demstz and Lehn (1985) measures. We measure capital concentration by the Herfindhal index, calculated by summing the squared percentages of capital held by each shareholder. We also measure the percentage of voting rights held by the largest and the second important shareholder.

Bebchuck et al. (1999) present mechanisms that allow to a controlling shareholder to maintain the complete control of the firm while he owned a relative low capital level. Indeed, issuing two categories of shares: shares with voting right and shares without results in separating voting rights and cash flow rights. This leads us to affine our model by using a second

ownership concentration variable noted VOT1 and VOT2 which could take in consideration control rights (voting rights). We introduce a dummy variable FAM when a firm is controlled by a family. We introduce a continuous variable (INV2) measuring the proportion of shares held by institutional investors. Finally we introduce 4 controlled variables: LNTA, COTATION, CAC40 and D/A. The first measures the size of the firm. COTATION and CAC40 are dummies, COTATION equal 1 if the firm is listed at a foreign market and 0 otherwise. CAC40 equal 1 if the firm forms part of the CAC40 index and 0 otherwise.

**{Insert table 2 – about here}**

Table 2 summarises variable definition and measurement. Data on ownership structure are handily collected from firm's annual reports or from their official sites. Other accounting and financial data were collected from Compustat database.

#### **4. RESULTS**

We present first, the exploratory analysis (ACP, ACM) then the confirmatory analysis. We will discuss respectively the results (logistic regression).

##### **Exploratory analysis**

We suggest using in exploratory phase, multidimensional methodologies of analysis to study the relation between the mechanisms of corporate governance and the quality of disclosure, by considering few characteristics of the firm: the CAC40 membership, cross-listing, and US listing.



We analyze for this objective a table of 86 lines corresponding to companies and of 14 columns for the variables of our inquiry.

We use two factorial approaches, associated respectively with two different codings of our variables, continuous then qualitative. The following methods are the Principal component analysis (PCA) and the multiple correspondence analysis (MCA). In prerequisite of the multidimensional analysis, we make a bivariate analysis on the table 3 which presents characterisations by the active modalities of the study of the two categories of firms (firms with good disclosure and firms with poor disclosure). The statistical test used is V-test at the level of 2.1 with a risk of 5 %. It combines the power recovering of a modality in a class and its discriminating power discriminating towards the other group. The modalities are ranked in decreasing order by their relevance for every group.

These first results show that:

- Companies with good disclosure quality are not controlled by families and are respectively characterised by high proportion of independent directors, the US listing, Executive stock-options plans, CAC40 membership and cross listing. It is also characterised by low ownership concentration as measured by a low Herfindhal index and low voting rights of the first shareholder.

- Firms with poor disclosure is characterised respectively by a non independent board, are not listed in foreign markets, aren't part of CAC40 index, don't offer stock options plans to their managers and aren't US listed. Also, those companies are usually controlled by families and present a high capital share concentration.

#### 4.1.1 Principal component analysis

The principal component analysis consider only categorical variable. The two first axis sums up respectively 38.31% and 15.78% of the information.

The interpretation of the factorial plan reveals an opposition between: On one hand, cross listing, executive stock-option plans, firm size, CAC40 membership, board independence and significant institutional investor ownership. On the other hand, ownership concentration, family control and family control. Moreover, the figure shows that institutional investor prefer non controlled families.

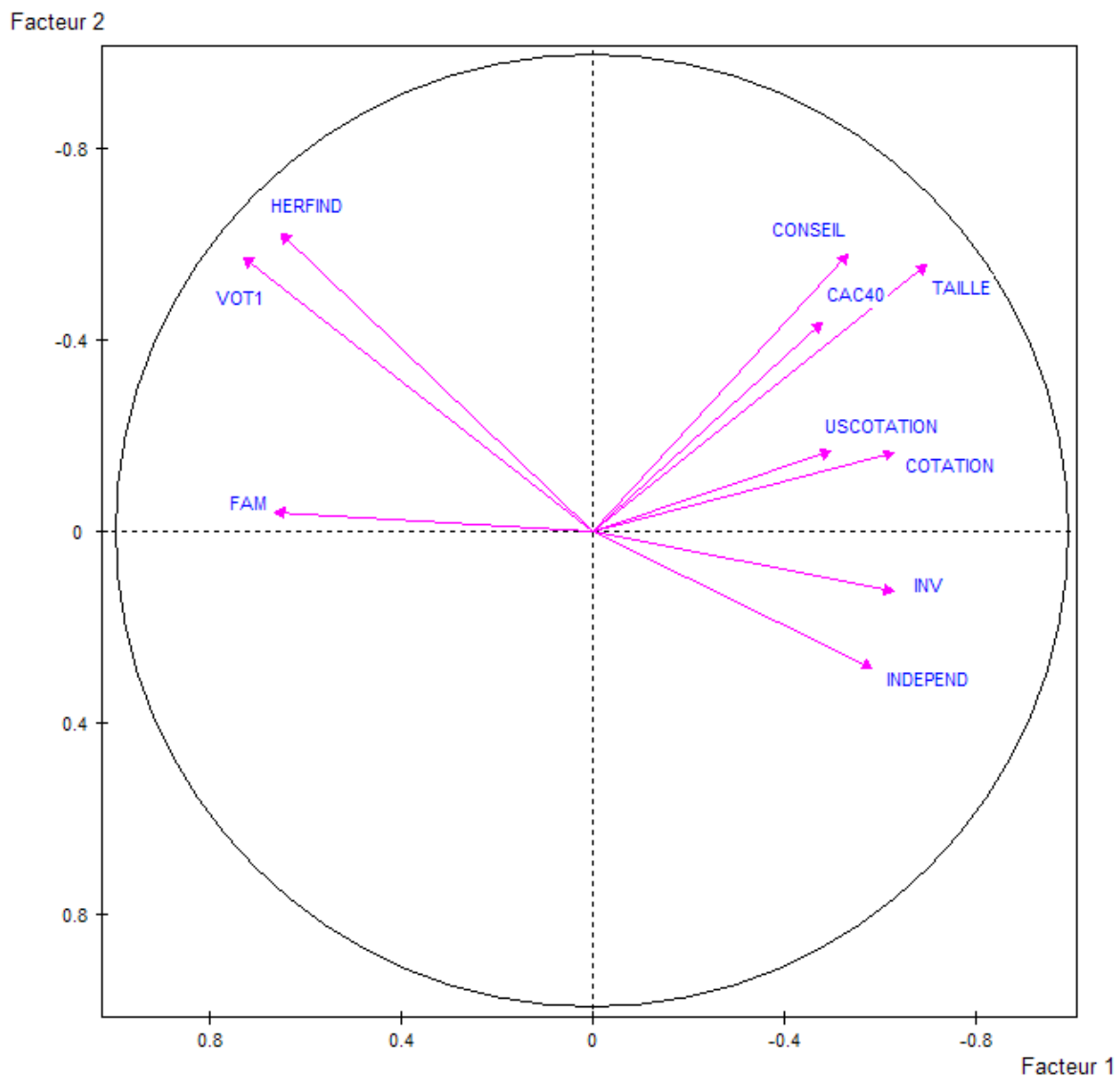


figure1 : ACP quantitatives variables

**4.1.2 Multiple correspondence analysis**

The analysis of the multiple correspondences on our sample required to make a recoding of the quantitative variables (recoding in appendix) to position them collectively with the categorical variables of the study.

The two panels A and B are projected in terms of supplementary variables in the analysis. The interest of this recoding is to allow us to study and to put in evidence on the mapping not only the strong values of the variables but also the weak ones. This leads us to better characterise both groups of individuals of the sample, those who have a good disclosure quality and those who have poor disclosure quality.

We observe, at the same time for firms having communicated well and for those having less indeed communicated the relative incidences of the various aspects of corporate governance mechanisms on the first factorial plan of the analysis of the multiple correspondences (Figure 2).

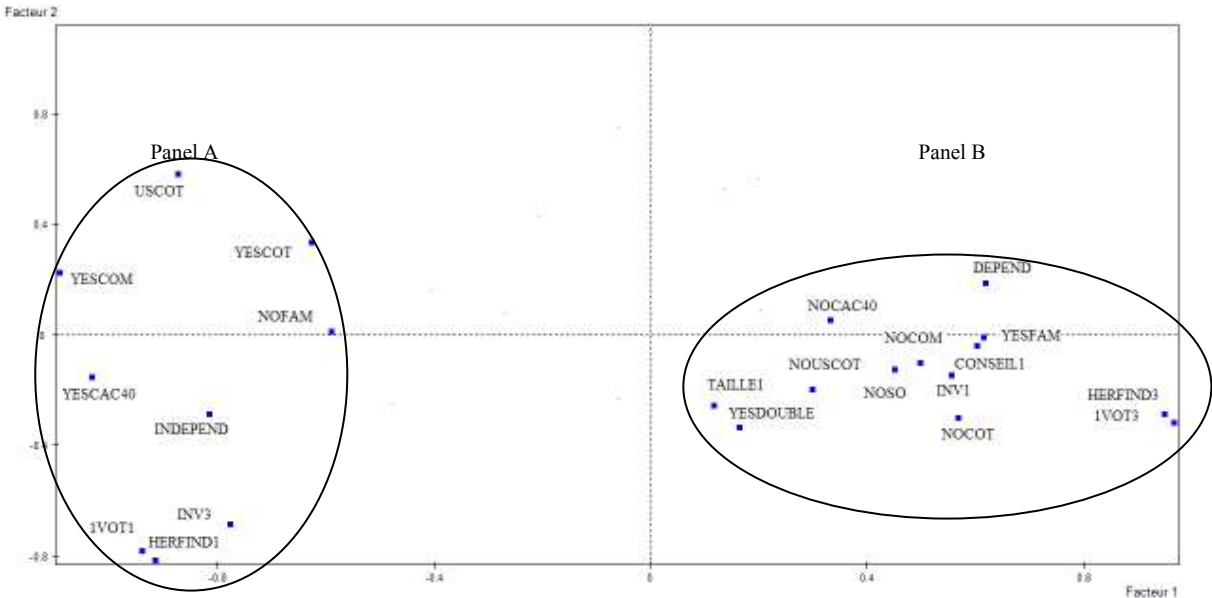


Figure 2: ACM categorical variables

*YESCOM/NOCOM: good/poor disclosure quality, DEPEND: low proportion of outside directors, YESFAM /NOFAM: family/non family controlled firm, INV1/INV3: low/high institutional investor ownership, HERFIND1/HERFIND3: low/high ownership concentration, IVOT1/IVOT3: low/high voting rights of the first shareholder, YESCOT/NOCOT: yes/no cross listing, USCOT/NOUSCOT: yes/no US listing, YESCAC40/NOCAC40: yes/no CAC40 index,*

First the figure 2 shows that the factorial axis is the “quality disclosure” axis which opposes firms with good disclosure quality and firms with poor disclosure quality. Firms composing Panel B are companies with poor disclosure. They presents a low institutional investor ownership, are family controlled firms, no cross listed, non US listed, non CAC40 membership. In addition, they present double voting rights shares, small sized firms, non independent board, and high ownership concentration.

On the right side of the first factorial axis, we observe that the closest characteristics to NOCOM are NOSO: non executive stock option plans, INV1: little presence of institutional investors in capital, FAM: family controlled firms, NOCOT: no multi-quotation, NOUSCOT: no US listing and NOCAC40: no CAC40 membership. A little more remote but always in the same ellipse, we find capital concentration measured by a high Herfindhal index, 1VOT1: the importance of control of the principal shareholder measured by a high level of his voting rights and the existence of double voting right shares which measure the dissociation between by cash flow and voting rights. These last results are coherent with our first hypotheses.

Moreover, on the left side of the factorial plan, the multiple correspondence analysis shows that firms with good disclosure quality aren’t controlled by families. They are characterized US quotation and are part of CAC40 index. Indeed, the quotation on the American market

constrains the firm to comply with very strict obligations of disclosure, besides the strong presence of foreign investors who are very demanding in information. Moreover these firms have a high institutional investor ownership an independent board and a well dispersed ownership measured by a low proportion of the largest shareholders voting rights and a low Herfindhal index. According to the agency theory, low concentration of the capital and weak percentage voting rights of the first shareholder reduce the weight of the controlling shareholders in particular in the decision-making notably that concerning the financial publication.

#### **4.1.3 Confirmatory analysis results**

First, we notice that the 2 correct ranks are high, approximately 80%. Coefficients and Z-statistics are respectively reported.

Concerning the internal corporate governance mechanisms, only variables INDEPEND is significant and corresponding to the predicted sign. Consequently, companies with good disclosure quality may have more independent directors in its board. Besides, the board size and the leadership duality do not seem to influence disclosure quality. This result can be explained by the hypothesis of substitution between good disclosure and these two corporate governance mechanisms. Disclosure seems to replace the ineffectiveness of a failing internal mechanism such as the separation of the two functions cited above.

Hypothesis 1, which predicts that institutional ownership influences positively disclosure quality, is not supported. The coefficient of variable INV which represent the proportion of capital held by institutional investors is not significant and have opposite direction. These results are coherent with those found by Ginglinger and l'Her (2002): only foreigner

institutional investors could influence manager incentive to provide more information about the firm and consequently enhance their disclosure quality. One possible explanation is that French investors held large percentage of shares and may act as controlling shareholders

We can see from capital concentration variables that French companies held by large controlling shareholder (VOT1) are less likely to provide good disclosure quality. Moreover, there is a negative and significant association between share ownership concentration, as measured by the Herfindhal index (HERFI), and corporate disclosure quality. Our first hypothesis is confirmed, we conclude that under high ownership concentration, controlling shareholders may expropriate minority shareholders and exploit private benefits, therefore they retain information in order to protect themselves. Our result is in accordance with Ho and Wong (2001), Chau and Gray (2002) and Eng and Mak (2003).

Moreover, the equation 2 show a negative and significant coefficient at 1% between disclosure quality and family control which valid our second hypothesis. Family controlled firms provide poor disclosure. Our result is similar to those found by Chau and Gray (2002) on a sample of 133 Hong Kong and Singapore companies. Firms controlled by families have little incentive to disclose information to public for many reasons. First, the demand for information in such companies is relatively weak because the major providers of finance already have that information; these families staff many of the senior positions. Second, these families are controlling shareholders, they have incentives to retain information and expropriate minority shareholders.

Hypothesis 5 assumes disclosure quality is positively associated with the existence of executive stock option plans. We use a dummy variable to measure the influence of executive stock option plans on disclosure quality. The relationship found between DISCL and SO is

positive and significant at the 1% level. Our results corroborated this hypothesis and are similar to prior literature. They suggest that managers are motivated to enhance their disclosure in order to increase market stock prices and improve their wealth (Kim et Verrecchia (1994), (Diamond et Verrecchia (1991))).

The result regression show a negative association between double voting right shares and disclosure quality we suggest that double voting right grant have a negative effect on disclosure.

Finally, we find a positive relationship between US listing and disclosure quality we conclude that American market is more demanding in information than the other markets; this explains the significance of USCOT variable and the non significance of COTATION.

Firms listed on the American market are subjected to a very strict requirements rule in financial disclosure, what explains the positive relation between US quotation and the disclosure quality. Furthermore, the significant presence of foreign institutional investors in the capital shares of US listed firms guarantees the good quality of their financial disclosure.

## **5. CONCLUSIONS**

Characterised by strong ownership concentration and poor protection of minority shareholders, the French context appears to be an interesting one, as it allow us to shed light over the conflicts of interests between controlling shareholders and minority shareholders. This study shows that disclosure quality is weak in firms with strong ownership concentration and where controlling shareholders hold double voting right shares.

The objective of this paper is to verify whether the disclosure quality of the French companies is a function of corporate governance mechanisms. Prior studies confirmed this relation in the

American context, which is characterised by dispersed ownership. A particular interest of our study is to test this relation considering the existence of important institutional differences. Indeed, the French ownership is characterised by a strong concentration of the capital share (La Porta et al (1999)), Faccio et al. (2002)) and a poor protection of the investors with regard to the Anglo-Saxon countries (La Porta et al. (1998, 2000)).

Our results are coherent with those found by Gelb (2000) in the USA: firms presenting good disclosure quality have lower ownership concentration. These firms have large proportion of independent directors in their boards and they grant stock options plans for their managers. Moreover, they are not controlled by families, and they do not have double voting right shares. It is also important to notice that firms which are listed in the USA exhibit better disclosure quality. This could be explained by the fact that the US Security and Exchange Commission (SEC) constrain firms to comply with restrictive disclosure requirements. We can also assume that American institutional investors contribute to the adoption of American corporate governance standards; consequently their presence in the capital is a guarantee for minority shareholders protection in case of concentrated ownership.

In conclusion, the results obtained for French listed firms are coherent with prior studies (Chau and Gray, 2002; Gelb, 2000, Labelle and Schatt, 2005; Bushee and Noe, 2000). We make a contribution to the growing literature on the conflict opposing controlling shareholders to minority ones. Controlling shareholders are in position to extract private benefits from minority ones, since they have more incentives to exploit small shareholders and retain information. Moreover, understanding why firms improve their disclosure quality is useful for standard setters and regulators. Since family controlled firms and firms with high ownership concentration are less transparent than their counterparts, should regulatory authorities impose them more disclosure requirements?



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**Table 1: Variable definition and measurement**

| Variable                               | Definition   | Measurement  |
|--|--|--|
| <b>Dependent variable:</b><br>DISCL    | Disclosure quality                                 | Dummy variable coded as 1 if the firm have a good disclosure quality and 0 otherwise |
| <b>Independent variables:</b><br>HERFI | Herfindhal index measuring ownership concentration | The squared sum of shares percentages  |
| VOT1                                   | Large shareholder                                  | Percentage of voting rights held by the largest shareholder                          |
| VOT2                                   | Second shareholder                                 | Percentage of voting rights held by the second largest shareholder                   |
| CONSEIL                                | Board size   | number of directors in the board   |
| INDEPEND                               | Board independence                                 | percentage of independent directors in the board                                     |
| FAM                                    | Family ownership                                   | Dummy variable coded as 1 if the firm is controlled by a family and 0 otherwise      |
| DOUBLE                                 | Double voting shares                               | Dummy variable coded as 1 if there is a double voting shares and 0 otherwise         |
| VA                                     | Separation between property and voting rights      | Voting rights divided by the portion of shares of the largest shareholder            |
| INV                                    | Institutional investor's ownership                 | Percentage of shares held by institutional investor                                  |
| SO                                     | Stocks option plans                                | Dummy coded as 1 if executives benefit from stock option plans and 0 otherwise       |
| TAILLE                                 | Size   | Log of total assets  |
| COTATION                               | Foreign quotation                                  | Dummy coded as 1 if the firm is listed on foreign market and 0 otherwise             |
| USCOT                                  | US listing   | Dummy coded as 1 if the firm is listed on US market and 0 otherwise                  |
| DETTE                                  | Leverage   | Total liabilities divided by total assets  |
| CAC40                                  | CAC40 membership                                   | Dummy coded as 1 if the firm forms part of the CAC40 index and 0 otherwise           |

**Table 2: Summary statistics of continuous variables**

Summary statistics are based on a sample of 86 French listed firms included in the SBF120 index. DISC is coded 1 if the firm provide good disclosure quality and 0 otherwise, INDEPEND measure the independence of the board, CONSEIL measure the board size, CUMUL equal 1 if the CEO is the chairman of the board, HERFI measure the ownership concentration and is calculates the sum of the squared shares percentages. VOT1 is voting rights of the first large shareholder, FAM equals 1 if a large shareholder is a family and 0 otherwise, SO is coded 1 if executives benefit from stock option plans and 0 otherwise, COTATION equals 1 if the firm is cross listed and 0 otherwise, , VA is the voting right of the first shareholder divided by his shares portion, INV is the proportion of shares owned by institutional investors, DETTE is the ratio of total debt per total assets, TAILLE is the log of total assets.

*Descriptive statistics of continuous variables*

|                 | <i>Weight</i> | <i>Mean</i> | <i>Standard deviation</i> | <i>Minimum</i> | <i>Maximum</i> |
|-----------------|---------------|-------------|---------------------------|----------------|----------------|
| <b>CONSEIL</b>  | 85,00         | 10,81       | 3,97                      | 3,00           | 20,00          |
| <b>INDEPEND</b> | 85,00         | 0,45        | 0,22                      | 0,00           | 1,00           |
| <b>HERFI</b>    | 86,00         | 0,15        | 0,17                      | 0,00           | 0,73           |
| <b>VOT1</b>     | 86,00         | 0,33        | 0,25                      | 0,01           | 0,85           |
| <b>VOT2</b>     | 86,00         | 0,09        | 0,08                      | 0,00           | 0,38           |
| <b>INV</b>      | 86,00         | 0,40        | 0,26                      | 0,00           | 0,95           |
| <b>DETTE</b>    | 86,00         | 21,13       | 192,62                    | 0,00           | 1 797,00       |
| <b>TAILLE</b>   | 86,00         | 8,18        | 1,56                      | 5,55           | 11,48          |

*Descriptive statistics of categorical variables*

|                 | <i>Variables</i>                | <i>Population</i> | <i>Frequency</i> |
|-----------------|---------------------------------|-------------------|------------------|
| <b>DISCL</b>    | Poor disclosure quality         | 59                | 68,6             |
|                 | Good disclosure quality         | 27                | 31,4             |
| <b>CUMUL</b>    | No leadership duality           | 35                | 40,7             |
|                 | Leadership duality              | 50                | 58,82            |
| <b>FAM</b>      | Non family controlled           | 43                | 50               |
|                 | Family controlled               | 43                | 50               |
| <b>DOUBLE</b>   | No double voting right shares   | 40                | 46,51            |
|                 | double voting right shares      | 46                | 53,49            |
| <b>SO</b>       | No executive stock option plans | 33                | 38,37            |
|                 | executive stock option plans    | 53                | 61,63            |
| <b>COTATION</b> | No foreign quotation            | 44                | 51,16            |
|                 | foreign quotation               | 42                | 48,84            |

|              |                     |    |       |
|--------------|---------------------|----|-------|
| <b>CAC40</b> | No CAC40 membership | 71 | 82,56 |
|              | CAC40 membership    | 15 | 17,44 |
| <b>USCOT</b> | No US listing       | 64 | 74,42 |
|              | US listing          | 22 | 25,58 |



**Tableau 3 : Recoding continuous variables to categorical variables and characterisation of the dependent variable DISCL by the modalities of the classes**

**1- Recoding quantitative variables in categorical variables:**

- If DISCL equals 1 then C2=YESCOM else C2 = NOCOM,
- HERFI is shared in 3 classes, we find in an increasing rank C6=HERFIND1, C6=HERFIND2 and C6=HERFIND3,
- Similarly to HERFI, the variable VOT1 is shared in 3 classes C7=1VOT1, C7=1VOT2 and C7=1VOT3,
- DOUBLE is shared in 2 classes C10=YESDOUBLE and C10=NODOUBLE
- If FAM equals 1 then C9=YESFAM else C9 = NOFAM,
- INV is shared in 3 classes, we present in increasing rank : C11=INV1, C11=INV2 and C11=INV3,
- SO variable is shared in two classes C12=YESSO else C12=NOSO
- If COTATION equals 1 then C12=YESCOT else C12=NOCOT
- If CAC40 equals 1 then C15=YESCAC40 else C15 = NOCAC40,
- If USCOT equals 1 then C12=USCOT else C12=NOUSCOT
- Similarly to previous variable INV, the variable TAILLE, which measures size, is shared in 3 classes: C15=TAILLE1, C15=TAILLE2 and C15=TAILLE3.
- the variable INDEPEND is shared in 3 classes, we find in the increasing order C5=DEPEND, C5=INTERMEDIAIRE, C5=INDEPEND
- in the same way, the variable CONSEIL is shared in 3 classes : C3= CONSEIL1, C3= CONSEIL2, C3= CONSEIL3,
- if CUMUL=1 then C4=PDG else C4=NOPDG,

**2- Characterisation by modality of the class of the variable**

**Class: C2=NOCOM (number of firms: 59 - Percentage: 68.60 %)**

| Variables | Characteristic modalities | % of the modality in the class | % of the modality in the sample | % of the class in the modality | V-Test | Probability | Weight |
|-----------|---------------------------|--------------------------------|---------------------------------|--------------------------------|--------|-------------|--------|
| DISCL     | C2=NOCOM                  | 100,00                         | 68,60                           | 100,00                         | 9,79   | 0,000       | 59     |
| HERFI     | C6=HERFIND3               | 47,46                          | 32,56                           | 100,00                         | 4,65   | 0,000       | 28     |
| VOT1      | C7=1VOT3                  | 47,46                          | 32,56                           | 100,00                         | 4,65   | 0,000       | 28     |
| FAM       | C9=YESFAM                 | 62,71                          | 48,84                           | 88,10                          | 3,66   | 0,000       | 42     |
| USCOT     | C17=NOUSCOT               | 86,44                          | 74,42                           | 79,69                          | 3,43   | 0,000       | 64     |
| SO        | C12=NOSO                  | 49,15                          | 37,21                           | 90,63                          | 3,30   | 0,000       | 32     |
| CAC 40    | C16=NOCAC40               | 86,44                          | 75,58                           | 78,46                          | 3,12   | 0,001       | 65     |
| COTATION  | C13=NOCOT                 | 64,41                          | 52,33                           | 84,44                          | 3,12   | 0,001       | 45     |
| INDEPEND  | C5=DEPEND                 | 42,37                          | 33,72                           | 86,21                          | 2,33   | 0,010       | 29     |
| HERFI     | C6=HERFIND1               | 23,73                          | 33,72                           | 48,28                          | -2,62  | 0,004       | 29     |
| VOT1      | C7=1VOT1                  | 22,03                          | 33,72                           | 44,83                          | -3,11  | 0,001       | 29     |

|          |              |       |       |       |       |       |    |
|----------|--------------|-------|-------|-------|-------|-------|----|
| COTATION | C13=YESCOT   | 35,59 | 47,67 | 51,22 | -3,12 | 0,001 | 41 |
| CAC 40   | C16=YESCAC40 | 13,56 | 24,42 | 38,10 | -3,12 | 0,001 | 21 |
| SO       | C12=YESSO    | 50,85 | 62,79 | 55,56 | -3,30 | 0,000 | 54 |
| USCOT    | C17=USCOT    | 13,56 | 25,58 | 36,36 | -3,43 | 0,000 | 22 |
| INDEPEND | C5=INDEPEND  | 20,34 | 33,72 | 41,38 | -3,60 | 0,000 | 29 |
| FAM      | C9=NOFAM     | 37,29 | 51,16 | 50,00 | -3,66 | 0,000 | 44 |
| DISCL    | C2=YESCOM    | 0,00  | 31,40 | 0,00  | -9,79 | 0,000 | 27 |

**Class: C2=YESCOM (number of firms 27 -  
Percentage: 31.40%)**

| Variables | Characteristic modalities | % of the modality in the class | % of the modality in the sample | % of the class in the modality | V-Test | Probability | Weight |
|-----------|---------------------------|--------------------------------|---------------------------------|--------------------------------|--------|-------------|--------|
| DISCL     | C2=YESCOM                 | 100,00                         | 31,40                           | 100,00                         | 9,79   | 0,000       | 27     |
| FAM       | C9=NOFAM                  | 81,48                          | 51,16                           | 50,00                          | 3,66   | 0,000       | 44     |
| INDEPEND  | C5=INDEPEND               | 62,96                          | 33,72                           | 58,62                          | 3,60   | 0,000       | 29     |
| USCOT     | C17=USCOT                 | 51,85                          | 25,58                           | 63,64                          | 3,43   | 0,000       | 22     |
| SO        | C12=YESSO                 | 88,89                          | 62,79                           | 44,44                          | 3,30   | 0,000       | 54     |
| CAC 40    | C16=YESCAC40              | 48,15                          | 24,42                           | 61,90                          | 3,12   | 0,001       | 21     |
| COTATION  | C13=YESCOT                | 74,07                          | 47,67                           | 48,78                          | 3,12   | 0,001       | 41     |
| VOT1      | C7=1VOT1                  | 59,26                          | 33,72                           | 55,17                          | 3,11   | 0,001       | 29     |
| HERFI     | C6=HERFIND1               | 55,56                          | 33,72                           | 51,72                          | 2,62   | 0,004       | 29     |
| INDEPEND  | C5=DEPEND                 | 14,81                          | 33,72                           | 13,79                          | -2,33  | 0,010       | 29     |
| COTATION  | C13=NOCOT                 | 25,93                          | 52,33                           | 15,56                          | -3,12  | 0,001       | 45     |
| CAC 40    | C16=NOCAC40               | 51,85                          | 75,58                           | 21,54                          | -3,12  | 0,001       | 65     |
| SO        | C12=NOSO                  | 11,11                          | 37,21                           | 9,38                           | -3,30  | 0,000       | 32     |
| USCOT     | C17=NOUSCOT               | 48,15                          | 74,42                           | 20,31                          | -3,43  | 0,000       | 64     |
| FAM       | C9=YESFAM                 | 18,52                          | 48,84                           | 11,90                          | -3,66  | 0,000       | 42     |
| VOT1      | C7=1VOT3                  | 0,00                           | 32,56                           | 0,00                           | -4,65  | 0,000       | 28     |
| HERFI     | C6=HERFIND3               | 0,00                           | 32,56                           | 0,00                           | -4,65  | 0,000       | 28     |
| DISCL     | C2=NOCOM                  | 0,00                           | 68,60                           | 0,00                           | -9,79  | 0,000       | 59     |

### 3- Histogram of the first 11 appropriate values

| NUMERO | VALEUR | POURCENTAGE | POURCENTAGE |       |
|--------|--------|-------------|-------------|-------|
|        | PROPRE |             | CUMULE      |       |
| 1      | 4.2139 | 38.31       | 38.31       | ***** |
| 2      | 1.7360 | 15.78       | 54.09       | ***** |
| 3      | 1.1901 | 10.82       | 64.91       | ***** |
| 4      | 0.9845 | 8.95        | 73.86       | ***** |
| 5      | 0.7013 | 6.38        | 80.24       | ***** |
| 6      | 0.6289 | 5.72        | 85.95       | ***** |
| 7      | 0.5625 | 5.11        | 91.07       | ***** |
| 8      | 0.4423 | 4.02        | 95.09       | ***** |
| 9      | 0.2661 | 2.42        | 97.51       | ***** |
| 10     | 0.2249 | 2.04        | 99.55       | ***** |
| 11     | 0.0494 | 0.45        | 100.00      | *     |

**Tableau 5 : Correlation matrix**

The following table summarizes bivariate correlation between independent and dependent variables. DISC is coded 1 if the firm provide good disclosure quality and 0 otherwise, INDEPEND measure the independence of the board, CONSEIL measure the board size, CUMUL equal 1 if the CEO is the chairman of the board, HERFI measure the ownership concentration and is calculates the sum of the squared shares percentages. VOT1 is voting rights of the first large shareholder, FAM equals 1 if a large shareholder is a family and 0 otherwise, SO is coded 1 if executives benefit from stock option plans and 0 otherwise, COTATION equals 1 if the firm is cross listed and 0 otherwise, VA is the voting right of the first shareholder divided by his shares portion, INV is the proportion of shares owned by institutional investors, DETTE is the ratio of total debt per total assets, TAILLE is the log of total assets. \*\*\*, \*\*, \* the correlation is significant respectively at de 1%, 5% et 10% level.

|                 | DISCL              | CONSEIL           | CUMUL           | INDEPEND       | HERFI             | VOT1            | VOT2           | FAM | DOUBLE | INV | SO | COTATION | DETTE |
|-----------------|--------------------|-------------------|-----------------|----------------|-------------------|-----------------|----------------|-----|--------|-----|----|----------|-------|
| <b>DISCL</b>    | 1                  |                   |                 |                |                   |                 |                |     |        |     |    |          |       |
| <b>CONSEIL</b>  | 0,166<br>0,129     | 1                 |                 |                |                   |                 |                |     |        |     |    |          |       |
| <b>CUMUL</b>    | 0,109<br>0,322     | ,261(*)<br>0,016  | 1               |                |                   |                 |                |     |        |     |    |          |       |
| <b>INDEPEND</b> | ,448(**)<br>0      | 0,167<br>0,127    | -0,003<br>0,977 | 1              |                   |                 |                |     |        |     |    |          |       |
| <b>HERFI</b>    | -<br>,436(**)<br>0 | -0,053<br>0,631   | -0,041<br>0,711 | -,389(**)<br>0 | 1                 |                 |                |     |        |     |    |          |       |
| <b>VOT1</b>     | -<br>,493(**)<br>0 | -0,113<br>0,302   | 0,014<br>0,895  | -,441(**)<br>0 | ,942(**)<br>0     | 1               |                |     |        |     |    |          |       |
| <b>VOT2</b>     | 0,018<br>0,871     | 0,079<br>0,473    | -0,043<br>0,693 | 0,015<br>0,895 | -0,102<br>0,351   | -0,077<br>0,483 | 1              |     |        |     |    |          |       |
| <b>FAM</b>      | -<br>,488(**)<br>0 | -,248(*)<br>0,022 | -0,014<br>0,898 | -,396(**)<br>0 | ,289(**)<br>0,007 | ,390(**)<br>0   | 0,141<br>0,199 | 1   |        |     |    |          |       |

|                   |                   |                   |                  |                   |                   |                   |                 |                   |                    |                   |                  |                |                |
|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-----------------|-------------------|--------------------|-------------------|------------------|----------------|----------------|
| <b>DOUBLE</b>     | -,234(*)<br>0,031 | -0,133<br>0,226   | 0,189<br>0,083   | -0,106<br>0,335   | 0,013<br>0,905    | 0,13<br>0,236     | 0,024<br>0,824  | ,365(**)<br>0,001 | 1                  |                   |                  |                |                |
| <b>INV</b>        | ,310(**)<br>0,004 | ,307(**)<br>0,004 | 0,161<br>0,14    | ,322(**)<br>0,003 | ,382(**)<br>0     | ,441(**)<br>0     | -0,05<br>0,65   | ,489(**)<br>0     | -0,088<br>0,421    | 1                 |                  |                |                |
| <b>SO</b>         | ,374(**)<br>0     | 0,208<br>0,056    | 0,189<br>0,084   | ,340(**)<br>0,001 | ,335(**)<br>0,002 | ,306(**)<br>0,004 | 0,046<br>0,677  | -0,039<br>0,72    | 0,113<br>0,303     | 0,079<br>0,475    | 1                |                |                |
| <b>COTATION</b>   | ,403(**)<br>0     | ,271(*)<br>0,012  | 0,09<br>0,412    | ,339(**)<br>0,002 | -,251(*)<br>0,02  | ,309(**)<br>0,004 | 0,037<br>0,739  | ,459(**)<br>0     | -,292(**)<br>0,007 | 0,122<br>0,268    | 0,118<br>0,281   | 1              |                |
| <b>DETTE</b>      | -0,074<br>0,499   | -0,132<br>0,228   | -0,13<br>0,235   | -0,056<br>0,609   | -0,057<br>0,602   | -0,049<br>0,654   | 0,015<br>0,89   | -0,11<br>0,314    | -0,118<br>0,28     | -0,035<br>0,752   | -0,14<br>0,2     | 0,113<br>0,303 | 1              |
| <b>TAILLE</b>     | ,341(**)<br>0,001 | ,638(**)<br>0     | ,239(*)<br>0,028 | ,262(*)<br>0,015  | -0,136<br>0,215   | -,223(*)<br>0,04  | -0,165<br>0,131 | ,401(**)<br>0     | -0,118<br>0,283    | ,340(**)<br>0,001 | 0,143<br>0,192   | ,449(**)<br>0  | -0,132<br>0,23 |
| <b>CAC40</b>      | ,214(*)<br>0,049  | ,387(**)<br>0     | ,262(*)<br>0,015 | 0,051<br>0,643    | -0,182<br>0,095   | -0,211<br>0,052   | -0,007<br>0,949 | -0,16<br>0,144    | 0,055<br>0,619     | 0,212<br>0,051    | ,232(*)<br>0,032 | 0,171<br>0,118 | -0,05<br>0,647 |
| <b>USCOTATION</b> | ,429(**)<br>0     | ,233(*)<br>0,032  | 0,147<br>0,18    | 0,141<br>0,197    | -,241(*)<br>0,026 | -,264(*)<br>0,015 | -0,023<br>0,832 | -0,143<br>0,191   | -0,184<br>0,092    | 0,187<br>0,087    | 0,107<br>0,328   | ,539(**)<br>0  | -0,062<br>0,57 |

## **Tableau n°6: Régression Logit portant sur la qualité des rapports annuels**

Summary statistics are based on a sample of 86 French listed firms included in the SBF120 index. DISC is coded 1 if the firm provide good disclosure quality and 0 otherwise, INDEPEND measure the independence of the board, CONSEIL measure the board size, CUMUL equal 1 if the CEO is the chairman of the board, HERFI measure the ownership concentration and is calculates the sum of the squared shares percentages. VOT1 is voting rights of the first large shareholder, FAM equals 1 if a large shareholder is a family and 0 otherwise, SO is coded 1 if executives benefit from stock option plans and 0 otherwise, COTATION equals 1 if the firm is cross listed and 0 otherwise, , VA is the voting right of the first shareholder divided by his shares portion, INV is the proportion of shares owned by institutional investors, DETTE is the ratio of total debt per total assets, TAILLE is the log of total assets.

|                                 | <i>Equation 1</i> |                | <i>Equation 2</i> |                |
|---------------------------------|-------------------|----------------|-------------------|----------------|
|                                 | <i>B</i>          | <i>Signif.</i> | <i>B</i>          | <i>Signif.</i> |
| <b>HERFI</b>                    | -10,437           | 0,038**        |                   |                |
| <b>VOT1</b>                     |                   |                | -6,472            | 0,011**        |
| <b>VOT2</b>                     |                   |                | 2,546             | 0,541          |
| <b>FAM</b>                      | -2,652            | 0,004***       |                   |                |
| <b>DOUBLE</b>                   |                   |                | -1,131            | 0,075*         |
| <b>INV</b>                      |                   |                | 0,533             | 0,702          |
| <b>SO</b>                       | 2,441             | 0,009***       |                   |                |
| <b>CUMUL</b>                    |                   |                | 0,732             | 0,281          |
| <b>INDEPEND</b>                 |                   |                | 2,851             | 0,094*         |
| <b>CONSEIL</b>                  |                   |                | 0,011             | 0,901          |
| <b>COTATION</b>                 | 0,155             | 0,857          |                   |                |
| <b>USCOT</b>                    | 2,282             | 0,016**        |                   |                |
| <b>CAC40</b>                    | 0,194             | 0,815          |                   |                |
| <b>TAILLE</b>                   |                   |                |                   |                |
| <b>DETTE</b>                    |                   |                |                   |                |
| <b>Constante</b>                | -1,451            | 0,153          | -1,017            | 0,551          |
| <b>Number of observations</b>   |                   | 86             |                   | 86             |
| <b>% of correct rank</b>        |                   | 89,5           |                   | 78,8           |
| <b>R<sup>2</sup> Nagelkerke</b> |                   | 0,677          |                   | 0,502          |

\* significant at the .01 level

\*\* Significant at the .05 level

\*\*\* Significant at the .001 level