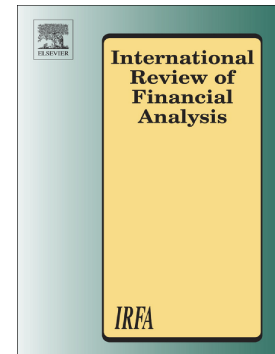


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Bank dividends, agency costs and shareholder and creditor rights

L. Lepetit^a, C. Meslier^b, F. Strobel^c & L. Wardhana^d

Abstract

Using data on listed banks in 51 countries, we analyze whether banks' dividend payouts are influenced by the relative strengths of the agency conflicts faced by their shareholders and creditors. We show that dividend policy depends on the relative strengths of these agency conflicts, but with a more decisive role played by the agency cost of equity than the one of debt, in contrast to results found in the literature on non-financial firms. We then further investigate whether those relationships are shaped by differences in funding structure, levels of capitalization and capital stringency, and potential differences in external corporate governance mechanisms.

Keywords: bank dividend; agency conflict; corporate governance; regulatory environment

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^a LAPE, Université de Limoges, France; email: laetitia.lepetit@unilim.fr.

^b LAPE, Université de Limoges, France; email: celine.meslier@unilim.fr.

^c Birmingham Business School, University of Birmingham, UK; email: f.strobel@bham.ac.uk.

^d LAPE, Université de Limoges, France; email: leo.wardhana@unilim.fr.

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