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Empirical Evidence of the Relation Between Private Benefits of Control and Asymmetric Information: The Case of French Listed Firms

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Abstract
In this paper, we seek to investigate the effect of the voluntary disclosure of the governance variables and the U.S. cross-listings of French companies on the private benefits of control through asymmetric information. Private benefits of control are particularly high in France and they can be extracted by both large shareholders (through related-party transactions) and managers (via their compensation).If controlling shareholders use asymmetric information crease private benefits of control, voluntary disclosure and dual listing of French companies on U.S. exchanges are presented as two factors reducing private benefits of control. In a sample of 84 companies for the period2001-2011,the empirical results how that a high disclosure score of governance variables and the U.S. cross-listings reduce wealth transfers carried out by controlling shareholders through a reduction in the information asymmetry between the controlling and the minority shareholders. Cross-listing in U.S.A requires French companies to disclose more information, to improve the protection driven by minority investors and to decrease the private benefit of control.

Keywords: Private benefits of control-related party transactions-asymmetric information-Excessive managerial compensation-voluntary disclosure- U.S. cross-listings.

Introduction

The financial scandals of recent years (eg, Enron, Worldcom, Parmalat and Vivendi) and the adoptions of laws such as Sarbanes-Oxley Act and the New Economic Regulations (NRE) have highlighted the role of governance in the quality of financial reporting by companies. In this context, several researchers have attempted to formalize the possible links between information asymmetry and governance. Private benefits of control are as a response.

Grossman and Hart (1980) specify that private benefits of control can be defined as profits and gains that are not shared with other shareholders, but diverted by the controlling party, to his own interest. There is a big range of wealth expropriation that large shareholders and managers can use.

In general, private benefits can be classified into two categories: pecuniary and non-pecuniary. Many studies focus on pecuniary private benefits of control (eg. Excess salaries, perks and larges bonuses as well as charitable contributions) that are visible and can be assigned to an outside acquirer. However, non-pecuniary or psychic private benefits may be so interesting also although they are inherently difficult to measure (Jensen and Meckling, 1976).

Excess salaries are measured by the difference between the management remuneration and the sector-based average. The excess payments of holding company and the underestimated or over estimated internal sale prices in firm-groups also reflect the pecuniary private benefits.

The prestige and social status, the ability to employ family members and to appoint them on the board could be considered as non-pecuniary benefits (Demsetz and Lehn, 1985; Ehrhardt and Nowak, 2003). The amenities that apparently come from controlling corporations like professional sports teams and newspapers are non pecuniary private benefits as well.

Holderness, 2003; Weifeng et al., 2008 identify also psychic benefits which consist in control privileges, the power to make decisions on business strategy, the disciplinary level of the employees, the independence from superiors and even personal relationships.

Block-shareholders can also obtain loans on preferential terms or even dilute the interests of minority shareholders by acquiring additional shares at a preferential price (Johnson et al., 2000; Cheung et al., 2009).

Managers would also take private benefits at the expense of shareholders (Bebchuk, 1999; Dyck and Zingales, 2004; Hwang and Hu, 2009). Despite the fact that there is little evidence that higher salaries could be extracted by managers through using their own voting power, they can be expropriated by many ways. Top executives generally enjoy bigger perquisites and exorbitant compensation packages (Jensen and Meckling, 1976). Jensen (1986) suggests that they can even abuse their control rights in order to invest in business that profit themselves rather than investors. Furthermore, their resistance to takeovers is basically to keep their private benefits of control (Field and Karpoff, 2002).

In a situation of asymmetric information, the controlling shareholders use the control appropriate some of the economic income of the company. The rent of the control could appear as the attribute, the consequence or counterparty to an unfair distribution of the wealth and asymmetric information n. With the same idea, in studying different causes and sources of private benefits, La Portaet al.(2000) observed that the legal protection of minority shareholders is the most discriminating variable in terms of the extraction of private benefits. Thus, the law directly affects the valuation of companies, in particular by allowing to each shareholder to exercise his rights to benefit. Pengand Jiang (2010) found, also, that private benefits of control appear to be the result of the opaque part of the informational environment. The insiders exploit their situations to create circuits and enjoy access to internal information resulting in private benefits.

Based upon the predictions of the information-costs theory, which implies that the voluntary disclosure and the U.S. cross-listings of French firms reduce asymmetric information between corporate managers and investors, research in the economics of information focuses on relationships between the insiders and the outsiders, specifically to the existing information gap between the controlling and the others shareholders (Jensen and Meckling, 1976).

Firstly, French companies listed on U.S. stock exchanges are characterized by a wider level of information and are more covered by the analysts (Doidge (2004)). Secondly, French companies with a dispersed ownership structure disclose more voluntary information (Lakhal (2004)). Thereby, we expect that the voluntary disclosure and the U.S. cross-listings appear as mechanisms to reduce information asymmetry and appropriation of earnings of the control by the coalition.

To our knowledge, few studies have addressed the extent of the private benefits of control, their determining factors (LeMaux(2004)), and approaches of measures and none of this studies have for purpose to specify the effect of voluntary disclosure and U.S. cross-listings as factors reducing the information asymmetry on the private benefits of control that the controlling share holders can extract. In addition, regarding the disclosure, a large number of studies addressing this issue have been conducted in the USA (Healy and Palepu, 2001). In the French context, the works of this type are uncommon. The characteristics of listed companies in France differ in many ways from those of U.S. companies. This is an area that appears overlooked because of their private benefits which are easily measurable and the disclosure information index is difficult to calculate. To fill this gap, firstly, we have developed a disclosure index designed to describe the quantitative information published. This index measures the information generated on balance sheets, income statements and cash flow statement for governance variables. Secondly, we use a dummy variable for U.S. cross-listings. We will use two proxies for private benefits of control which are excessive executive compensation and the amount of related party transactions**.**

The objective of this study is to test whether U.S. cross-listings and high index of voluntary disclosure can reduce private benefits of control through the reduction of information asymmetric. The remainder of the paper proceeds as follows. Section 2 covers the relevant literature about the relationship between private benefits of control and asymmetric information and then, the impact of U.S. cross-listings and the voluntary disclosure. Section 3 describes the data and outlines the research design. Section 4 discusses the empirical results. A brief conclusion follows with implications of findings and suggestions for future research.

2. Literature Review

The holders of blocs and managers are at the center of a nexus of contracts and have better access to information compared to all the partners of the firm. They will thus restrict the availability of information to other agents, which will increase the asymmetric information, allowing them to take root, to increase their discretionary space and more easily to raise the resources of the company.

According to Ikenberry et al (1995), the controlling shareholders benefit from their proximity to the activities of the company to acquire privileged information that allow them to achieve abnormal returns. While Lee (2004) confirmed this idea and argued that the controlling shareholders can easily lead and influence corporate decisions. This situation gives them the opportunity to guide the firm in their interests at the expense of minority shareholders (Shleifer and Vishny (1997)).

In France, despite the efforts made by the institutions responsible for regulation, Guyvarc'h (2001) demonstrates the use of private benefits by insiders at the expense of outsiders' information. The asymmetric information and the delay in their publications that the controlling shareholders use to take advantage of their position is a source of private benefits of control.

Controlling shareholders are trying to conceal information to keep their private benefits of control (Eng and Mak, 2003). The voluntary disclosure and the U.S. cross-listings could appear as a way to increase the quantity and quality of information disclosed voluntarily.

2.1. Private benefits of control and voluntary disclosure

The transparency and Information Disclosure are an integral part of corporate governance. Thus, a good quality of disclosure reduces information asymmetry between managers, shareholders and lenders, and also limits the agency problems (Yu, 2005).
The disclosure is a way to communicate about the performance and the governance, a tool for external investors (Healey and Palepu, 2001). Disclosure is a response to the asymmetric information that exists in the financial market. In doing so, the company may attempt to disclose information for five reasons: to facilitate fundraising, to raise the stock price, to improve liquidity, to reduce the risk of legal action and finally to give them an image of competence. A common goal for the first three objectives is to reduce the cost of capital of the company (Diamond and Verrecchia, 1990). At the same time, this disclosure is costly; information must indeed be built and made public.

According to the agency theory, information disclosure can reduce the costs of monitoring managers by investors and creditors. Thus, the positive effect of the proposed reduction of agency costs on profit would be motivating for managers to publish more information (Depoers, 2000). Moreover, the market information disclosure tends to reduce the level of information asymmetry between investors and managers. The cost of obtaining information for investors is reduced and their expectations becoming more homogeneous, the cost of capital would also decrease (La Porta et al. (1999).

Gelb (2000) shows that the level of disclosure could reduce the asymmetric information between managers and shareholders. Subsequently, it contributes to reduce agency problems. In addition, Bouton report (2002) "Towards a better governance of listed companies" highlights the need to produce large and transparent information. Voluntary disclosure in this context would have as goals, to enable shareholders through financial analysts and rating agencies, to ensure the loyalty of policies implemented by the leaders (Lang and Lundholm, 1993). It would therefore be possible to anticipate a negative relationship between the expropriation of minority shareholders by the controlling shareholders and voluntary disclosure.
Hence, our hypothesis H1:

<u>Hypothesis 1</u>: A high score of disclosure has a negative impact on the private benefits of control.

2.2. Private benefits of control and U.S. cross-listings

The U.S. regulatory environment is made to preserve minority shareholders. In fact, it contributes to limit the rights and gains of controlling shareholders. In addition, controlling shareholders may be subject to liability for the actions, including disclosure, of the firm (Coffee, 1999; Greene et al., 2000). Thus, cross listing on a U.S. exchange stock market oblige firms to respect minority shareholder rights and to provide fuller disclosure. Controlling shareholders should anticipate that listing in the U.S. will reduce their ability to gain private benefits

In addition to U.S. securities laws, foreign firms also become subject to the scrutiny of reputational intermediaries such as U.S. underwriters (for firms that list via Level 3 ADRs), debt rating agencies, auditors, and analysts. Recent studies show that intermediaries play an important role in monitoring cross-listed firms.

Many authors find that when non-U.S. firms list in the U.S., their information environment improves (Lang et al. (2003)). Listing firms will have more coverage from analysts and have improved forecast accuracy relative non cross-listed firms. Bailey et al. (2002) demonstrate also that earnings announcements increase the market's reaction after cross-listing. This suggests that subsequent to cross-listing on a U.S. exchange, information take more attention and reflects the bigger information content of the announcements. Further, there is evidence that foreign intermediaries take their role as monitors of cross-listed firms more seriously and are sensitive to the U.S. legal environment. Seetharaman et al. (2002) find that U.K. auditors charge higher fees for firms that are listed in the U.S. to compensate for the higher risk of litigation; they estimate that the premium due to the U.S. litigation environment is about 20%.

Coffee (1999) demonstrates that listing in the U.S. decreases the value of private benefits that controlling shareholders can earn from the firm because the U.S. regulatory environment restricts their ability to do so. However, this increases the question of why controlling shareholders would want to list their firms in the U.S.

In addition to the private benefits controlling shareholders derive from their ownership stake, controlling shareholders also care about the value of their stake and listing in the U.S. affects both (Doidge et al., 2003). If the expected increase in the value of their stake due to listing is more important than the expected loss of private benefits, controlling shareholders will choose to list.

In this sense, Lang et al. (2003) found that when non-US companies are listed in the United States, they are characterized by further information and get more coverage from analysts. In this case, the controlling shareholders should expect that their wealth decline following a listing on a U.S. stock exchange. At this level it is proposed to test the hypothesis H2:

Hypothesis H2: Listing on a U.S. stock exchange for French companies has a negative impact on the private benefits of control.

3. Methodology

We will try to answer the following question: will the voluntary disclosure and the US cross listing reduce the private benefits of control through a reduction in asymmetric information or is it merely symbolic?

3.1. Data sources and sample

Our sample is composed of 84 companies belonging to the SBF 250 index (Société des Bourses Françaises) on eleven consecutive years from 2001 to 2011, representing all sectors of the French economy. However, various adjustments were necessary to exclude commercial or industrial companies, which have experienced a significant change in scope, banks and insurance companies, with a particular accounting system. Data on the composition of the board of directors and shareholders have been obtained manually from the reference website (www.amf-france.org); otherwise we consult the annual reports.

3. 2. Model specification

In this paper, to test our hypotheses, we used model inspired from Doidge (2004) and Dahya (2008).

$$\boldsymbol{PBCit} = \boldsymbol{\beta 0} + \boldsymbol{\beta 1}\mathbf{SDIVit} + \boldsymbol{\beta}\mathbf{2DUALit} + \boldsymbol{\beta}\mathbf{3DEBTit} + \boldsymbol{\beta}\mathbf{4ROAit} + \boldsymbol{\beta}\mathbf{5TANGit} + \boldsymbol{\beta}\mathbf{6Qit} + \boldsymbol{\beta}\mathbf{7SBOAit} + \boldsymbol{\beta}\mathbf{8IBOAit} + \boldsymbol{\varepsilon}\mathbf{it}$$

Model (1)

<u>with:</u>

PBC: private benefits of control;

SDIV: the score of the voluntary disclosure of corporate governance variables;

DUAL: the dual listing of French companies on a U.S. exchange;

TANG: tangible assets;

ROA: the ratio of return on assets;

DEBT: the debt ratio;

Q:Tobin's Q;

TBOA: the number of directors serving on the Board of Directors;

IBOA: the percentage of board independence.

Regarding the validity of our assumptions, we expect a negative coefficient of the variable SDIV, measurement of voluntary disclosure, explaining that when the disclosure score is high, extractions of private benefits would be low. The sign of the coefficient of the variable DUAL is also negative stating that the dual listing of French companies reduces the level of private benefits.

3. 3. Measurement of variables

In the following subsection, we will list the different variables used to test our hypotheses.

3. 3. 1. Measures of private benefits of control

To measure the importance of private benefits of control, we used the value of related party transactions and excessive executive compensation. These two measures are extracted directly from the annual reports of companies.

We intentionally select these two heterogeneous measures to only catch maximum illegitimate transfers but not to compare or combine all the results.

Most of the previous studies on private benefits of control have used indirect measures: the legal system (Johnson et al, 2000, La Porta et al, 2000; Djankov et al, 2008...) and the diversion of the property via versus control (Lease et al, 1983; Zingales, 1994). Few studies have measured the private benefits of control through direct measures: the value of the voting rights (Nenova 2003

Masulis et al, 2009.), Control premiums (Barclay and Holderness 1989, Dyck and Zingales, 2004), wages (Ehrhardt and Nowak, 2003), excessive executive compensation (Belanes et al (2011) and Djebali et al. (2012)) and related party transactions (Dahya et al (2008), and Belanes et al (2011) and Djebali and al. (2012)).

a. Related party transactions

Le Maux (2004) and Dahya et al 2008 choose the amount of related party transactions as a direct measure of private benefits. In fact, it appears that through Related party transactions, not only the leaders, associates with a significant proportion of the voting rights, could also require prejudicial transactions on the society of which they are shareholders.

b. Excessive exécutive compensation

Excessive compensation is given directly to the leader (who is possibly the controlling shareholder of the company). He expropriates the wealth of minority shareholders and the resources of the company through high compensation compared to theirs sectors. We will follow the approach to Belanes et al (2011) and Djebali et al (2012) to estimate the private benefits of control by excessive salary that reflects the excess wages due to expropriation. To determine the amount of overpaid, we calculate the average earnings by sector and excessive compensation which is the difference between total compensation and the amount already calculated. We will differ from prior studies by deflating the two measures by the size of the firm to highlight that the French leaders are paid according to the size of the company.

3. 3. 2. Measures of interest variables

SDIV: we will calculate a voluntary disclosure score of governance variables which includes 17 components grouped into five parts: strategic management, leadership, directors, audit committee, and shareholders. The content is encoded according to the code appearance (1 point), descriptive / qualitative (2 points) and quantitative / monetary (3 points). This approach was first used by Wiseman (1982), Aerts et al. (2007) and Cormier et al. (2009) and Cormier et al (2010).

DUAL: This is a binary variable that takes 1 if the firm is listed on a U.S. stock exchange, 0 otherwise. In this sense Doidge (2004), Doidge et al (2009) and Djebali et al. (2012) concluded that the ability of the coalition to extract private benefits is less important for firms listed in the U.S. markets. The U.S. regulatory environment is designed to protect minority and limit the benefits enjoyed by controlling shareholders. Many studies have concluded that the listing on U.S. exchange encourages companies to improve disclosure and financial reporting which will reduce the extraction.

3.3.3. Measures of control variables

Tangible assets: rated "**TANG**" is defined as the ratio between fixed assets and total assets. For holders of the blocks, it is more difficult to divert resources from the company when the assets are observable such as tangible assets. (Barclay and Holderness (1989), Le Maux (2004), He et al (2008) and Djebali et al. (2012)).

Debt: rated "**DEBT**" and measured by total debts to total assets. This is an internal control mechanism. Under the assumption of free cash flow, debt reduces the agency costs related to cash flow available for internal and therefore, private benefits curried out by controlling shareholders (Jensen, 1986, Le Maux , 2004; Weifeng et al. 2008).

Growth opportunities: measured by Tobin's Q and marked "**Q"** which is defined as the ratio between the market value of the company and the book value of debt by the sum of the book value of equity and the book value of debts. We expect that the controlling shareholders will not help to increase their wealth in private benefits when growth opportunities are high (He et al (2008)).

Performance: we chose the return on assets ratio as an indicator of the wealth produced, which is the ratio of operating income to total assets (**ROA**). We assume that higher wealth allows the controlling shareholder to possess more resources from the firm and so to have a higher level of private benefits (Belanes et al. 2011, Djebali et al. 2012). **The size of the board: rated "TBOA**", we measure the size of the board simply by the number of directors who serve.

The independence of the Board of Directors "IBOA": The independence of directors is one of the key elements of corporate governance and its effectiveness. The independent members are characterized by a clear and neutral view of the company, thereby protecting the interests of shareholders. The independent directors are those whose only relationship they have with the company is to be a part of its board of directors. We then measure the independence of the board by the ratio between the number of independent directors and the total number of directors on the board.

Belanes et al. (2011) found for a sample of French firms for a period ranging from 2002 until 2006 that the presence of independent directors could reduce the level of private benefits of control. The conclusion is that the presence of the council with a high percentage of independent directors or a small percentage of family directors for family businesses is an effective governance mechanism in reducing asymmetric information and limiting chances of expropriation of minority shareholders by controlling shareholders (Dahya et al (2008) and Lo et al(2010)) . The independence of directors may force the diversion of resources by the holders of units and the private benefits are so limited.

Table 1: summary table of variables used

Variables	Rating	Measures
private benefits of control PBC	Related party transactions PBC1	The amount of related party transactions divided by total assets
	Excessive managerial compensation PBC2	Excessive managerial compensation divided by total assets manager
US Crosslisting	DUAL	Binary variable that takes 1 if the company's shares are listed on the U.S. market, 0 otherwise

VolontaryDisclosure	SDIV	Weighted score calculated from 17 components grouped into five parts: strategic management, leadership, directors, audit committee and shareholders.
Tangible assets	TANG	fixedassets/ total assets
Growthopportunities	Q	(Market value of equity + book value of debt) / (book value of equity + book value of debt)
Leverage	DEBT	total debts to total assets
Return On Assets	ROA	ratio of profit before interest and tax to total assets
Size of the board	SBOA	Number of members of the board of directors or supervisory board
Independence of the Board	IBOA	Number of independent directors / board size

1. **4. Descriptive statistics and univariate analysis**

The following table provides the descriptive statistics (mean, standard deviation, minimum and maximum) of each variable used in our analysis.

Table 2: Descriptive statistics of dependent and independent variables

Variable	**Mean**	**Standard deviation**	**Minimum**	**Maximum**
PBC1	19.416763	125	0	150644
PBC2	1125	256	-1238,11	12656
SDIV	0,68851337	0.59	0,10	0,80
TANG	0,21	0,20	0,00	0.95
DEBT	0,57	0,21	0,03	1,00
Q	1,44	1,46	0,22	25,91
ROA	0,06	0,22	-0,34	0,63
TBOA	11,75	3,92	3,00	24,00
IBAO	0,49	0,22	0,00	1,00
Where: PBC1: private benefits of control estimated by Excessive managerial compensation, PBC2: private benefits of control estimated by Related party transactions, SDIV :Volontary Disclosure index, DUAL : Binary variable that				

takes 1 if the company's shares are listed on the U.S. market, 0 otherwise , TANG: tangible assets, ROA: return on assets, DEBT: leverage, Q: growth opportunities, TBOA : Number of members of the board of directors or supervisory board,IBOA : Number of independent directors / board size

Table 2 describes the values of the variables measuring the amount of private benefits of control and the variables that could have an impact on them. The descriptive statistics are made on the basis of the natural logarithm of these explaining variables. Excessive executive compensation (not divided by total assets) has an average value of 1125. It varies between -1238.11 and 12656 as the minimum and maximum value respectively. Thus, our sample is characterized by leaders who have over their sectors pay. Regarding the second variable, the average value of the regulated agreements is 19,416 with a minimum of 0 and a maximum of 150644.

Boards of directors are made in French average of 12 directors (and range from 3 to 24 directors), and considered fairly large (average of 10 members). Almost half of the directors that make up these boards are independent: they represent on average 49% of the directors on the board.

The average score of the voluntary disclosure of corporate governance variables is 68.8%. We can therefore conclude that the French firms in the SBF 250 are characterized by a high level of disclosure, above average, and a good quality of published information, the result is a reduction in the level of information asymmetry. Concerning temporal evolution, perfect disclosure allowing having a score of 51 points, the score increased by an average of 40% to 70 % showing an improvement in the amount of information disclosed.

Size measured by the natural logarithm of total assets shows an average value of 22.78 while the average debt is 57 % of total assets. The long-term debt can reach a maximum value of 100% of total assets. Tangible assets are on average 21 % with a minimum of 0 and a maximum of 95%. The rate of return on assets is on average of 6 %. It varies between 34% and 63 %. 20.40 % of French companies constituting our database are listed in the United States.

Table 3: Descriptive statistics on the detailed score of voluntary disclosure

Variable	mean	standard deviation	minimum	maximum
strategic Management	15.529	4.360	0	26
Leaders	5.251	1.856	0	7
directors	17.366	6.235	0	22
Audit Committee	3.256	2.356	0	9
shareholders	3.5	1.986	0	5

Table 4: Pairwise Correlations

	PBC1	**PBC2**	**SDIV**	**DUAL**	**TANG**	**Q**	**DEBT**	**ROA**	**TBOA**	**IBOA**

PBC1	1.0000	_								
PBC2	_	1.0000								
SDIV	-0.3214***	-0.0249*	1.0000							
DUAL	-0.0021*	-0.0284*	0.0450	1.0000						
TANG	-0.1290***	-0.0745*	0.0237	-0.0865 *	1.0000					
Q	0.4789***	0.0940**	-0.1666***	-0.0030	-0.0766*	1.0000				
DEBT	-0.1817***	0.0799*	0.0111	0.0724	0.2015***	-0.1818***	1.0000			
ROA	0.6313***	0.0385	0.1593***	0.0341	-0.0599	0.5516	-0.2180***	1.0000		
TBOA	-0.4608***	-0.0418	0.3409***	0.0197	0.0431	-0.2551***	0.1486***	-0.2472***	1.0000	
IBOA	-0.3661***	-0.0773*	0.1446***	-0.0704	0.2300***	-0.1806***	-0.0042	-0.2394***	-0.0693	1.0000

The variables PBC1 and PBC2 are negatively and significantly associated with SDIV and DUAL variables. Consistent with our hypotheses, the voluntary disclosure of corporate governance variables and the dual listing are related to a reduction in the level of private benefits of control. Measured by the excessive remuneration or related party transaction, the correlation between private benefits of control is negative with tangible assets, board size and the percentage of independent directorsandispositivewithgrowthopportunitiesandperformance.Regardingthedebtratioispositively associated with related party transaction and negatively to excessive executive compensation. There is anegativecorrelationbetweenleverageandprofitabilityshowingthatthe most profitable firms’ use less debt.

IV. Regression results and interpretations

After the realization of econometric tests: Pearson's correlation matrix and vif’s test , test for the presence of individual effects, Hausman test and heteroscedasticity test, it would be wise to present the results of our models.

Multivariate analysis of the effect of voluntary disclosure and dual listing on the private benefits of control estimated by our two measures: excessive executive compensation (PBC1) and related party transactions (PBC2) is presented in Table 5

	PBC1			PBC2		
	coefficient	**Z**	**Value P>|Z|**	coefficient	**Z**	**Value P>|Z|**
SDIV	-.0000465***	-6.02	0.000	-.0000853*	-5.96	0.086
DUAL	-.0000103***	-3.40	0.001	-.0000256***	-4.23	0.008
TANG	.0000812***	4.15	0.000	.0000704	1.51	0.130
Q	-.0001873***	-3.38	0.001	-.0003828***	-2.64	0.008
DEBT	.0011492***	7.39	0.000	-.000282*	-1.66	0.096
ROA	-.0000811**	-2.06	0.040	.0008309***	2.93	0.003
TBOA	.000046***	3.48	0.000	.0000544	0.78	0.434
IBOA	-.0008001***	-4.50	0.000	-.0002495	-1.64	0.102
_cons	.0010041***	7.54	0.000	.0000628	1.15	0.251
R2	**55.36%**			**35.25%**		

The effect of voluntary disclosure of corporate governance variables is represented by the weighted score we have already calculated. The estimated coefficients are negative and significant for both variables proxies for private benefits of control at the level of significance, respectively, 1% and 10 %. A high governance score implies that controlling shareholders do not benefit from the information asymmetry that enables them to involve private benefits of control. With higher disclosure score, investors will be better informed about the costs incurred for the benefit of controlling shareholders (as officers or holders block together). Thus, increased communications in the field of corporate governance reduces the opacity and asymmetric information, synonym of extraction of private benefits resulting from a failure of governance mechanisms, and improve transparency.

Certainly, the French legislator intervened especially in the NRE law of 15 May 2001 to coerce each company to indicate in its annual report, the total compensation and benefits paid to each director during the year.

In this sense, our results add to the previous literature (Chen et al. (2003) that voluntary disclosure of governance variables plays an important role in reducing information asymmetry in markets where governance mechanisms are weak.

Regarding "DUAL" variable informing about the listing or not of French companies in U.S. stock market for regulated agreements and excessive executive compensation, the coefficient is significant and with a negative sign. Thus, the dual listing of French companies on U.S. markets reduces the diversion of wealth from minority to controlling shareholders. This is explained by the fact that the U.S. regulatory environment is designed to protect minority shareholders and as such it greatly limits the rights and benefits of controlling shareholders. Much of the discretion and the potential for opportunistic actions that controlling shareholders may take under other legal systems is severely limited in the United States. In addition, controlling shareholders may be subject to liability for the actions, including disclosure of the firm (Coffee (1999), Greene et al 2000). Thus, the dual listing on a U.S. stock exchange requires companies to respect the rights of minority shareholders and to provide more complete information. Enrollment in the United States reduced their ability to extract private benefits Doidge (2004). In the same spirit, Doidge et al. (2009) reported that the ability of the majority shareholder to extract private benefits is lower when the firm is cross-listed in the United States. The cross-listing significantly improves the quality of corporate governance and plays a more important role in the reduction of private benefits. These results also corroborate those of Dyck and Zingales (2004), Dahya and al. (2008), Belanes et al. (2011) and Djebali et al. (2012) who have empirically confirmed the idea that list its shares on the U.S. market improves the quality and quantity of published information and reduces the risk of expropriation of private benefits in all these forms. Regarding the size of the board, we found a positive and significant effect on the level of private benefits estimated by the related party transactions and excessive executive compensation. Small board is a fertile ground for the realization of harmony between members in the board, and allows them to restrict the scope of the leader and address the risk of expropriation. Increasing the size of the board can paralyze decision -making and constitute an obstacle to the achievement of a consensus on important decisions. This encourages controlling shareholders to benefit from these disagreements and divert resources (having excessive salaries and conclude regulated agreements for their own profits) of the firm at the expense of the value of the firm and the public benefits which are ownership of all shareholders.Turning now to the independence of the board, the negative impact of the percentage of independent directors is checked (the coefficient on this variable is positive and significant). Greater the number of independent directors, the lower is the level of expropriation. This finding supports the idea that the independent directors are considered good controllers, acting in the best interests of the company. Based on agency theory, board effectiveness increases with the proportion of outside directors. Indeed, the latter being independent of management, they are more able to resist leader opportunism. According to Fama and Jensen (1983), the presence of outside directors leads to a reduction in agency costs between managers and shareholders with their independence and objectivity problems. The effectiveness of outside directors in their oversight is prompted by the labor market. Independent members in board are looking to improve their reputation in the labor market (Fama (1980)). The role of an independent director is to monitor and control management practices for the benefit of all other economic actors. Thus, the existence of a high percentage of outside directors in the board has an effective control mechanism in French companies and can improve the quality of financial reporting. These results confirm those of Dahya et al (2008), and Djeballi et al (2012). The coefficients of the "DEBT" variable are significant and positive and negative for respectively PBC1 and PBC2. The positive effect of debt on excessive executive compensation is explained by the fact that the controlling shareholders choose debt financing because the borrowing does not change the ownership structure of the venture between the shareholders. This option therefore is of particular interest to family businesses that do not wish to see new shareholders and loss of control. The negative relationship between private benefits of control and related party transactions due to the fact that holders of units are reweaving via debt. They fear that the funds of the company debt will be moved to another company under their control via regulated transactions (Djebali et al. (2012).

Effect of dual listing accompanied by a further disclosure of information on the private benefits of control:

	PBC1			PBC2		
	coefficient	**Z**	**Value P>|Z|**	coefficient	**Z**	**Value P>|Z|**
SDIV* DUAL	-.000111**	-1.97	0.049	-.0004534	-2.76	0.006
TANG	.0000653***	2.88	0.004	.0000855	1.55	0.122
Q	-.0002344***	-3.02	0.003	-.0002857	-1.11	0.266
DEBT	.0012721***	6.85	0.000	.0004812	1.58	0.114
ROA	-.0000317***	-6.02	0.000	-.0000122	-0.92	0.359
TBOA	2.23e-07	0.22	0.827	-.000078	-0.45	0.650
IBOA	.0002649***	4.71	0.000	.0003736	2.33	0.020
_cons	.0000408	0.59	0.555	-2.45e-06	-0.88	0.379
R2 between	**45.36%**			**33.58%**		

Inspired by these results and the fact that the listing of the shares to the French and American markets requires companies to disclose more information and reduce information asymmetry, we will in the following section use an interaction variable between the dual listing and voluntary disclosure score and see their effect on private benefits of control. The model we use is the following:

$$\boldsymbol{PBCit = \beta 0 + \beta 1SDIVit * DUALit + \beta 2DEBTit + \beta 3ROAit + \beta 4TANGit + \beta 5Qit + \beta 6SBOAit + \beta 7IBOAit + \varepsilon it}$$

Model (2)

with:

PBC: private benefits of control;

SDIV* DUAL: The interaction term between the score of the voluntary disclosure of corporate governance variables;: the U.S cross listing;

TANG: tangible assets;

ROA : the ratio of return on assets;

DEBT: the debt ratio;

Q:Tobin's Q;

TBOA: the number of directors serving on the Board of Directors;

IBOA: the percentage of board independence.

Table 6: Impact of variable interaction between voluntary disclosure and U.S. cross listing on the private benefits of control

The results show a significant and negative sign of the interaction variable between the dual listing and the voluntary disclosure of corporate governance variables on the private benefits of control. The dual listing accompanied by a score of high disclosure of governance variables reducing the private benefits of control is confirmed. In this sense, the listing of French companies in the U.S. market to better protect the rights of minority shareholders, reduce information asymmetry in their imposing transparency obligations, information dissemination, and more stringent control. This is to promote transparency and information symmetry against opportunism of controlling shareholders such as private benefits.

4.3. Robustness tests

In this section we check the robustness of our results by performing a sensitivity analysis. We test whether the presence of companies with a dispersed ownership and the presence of family businesses modify the effect of dual trading and voluntary disclosure of private benefits of control. These tests are carried for both measures of private benefits, as related party transactions and excessive executive compensation.

We need to relaunch the regressions after excluding companies with dispersed ownership. We ask the following question: Are our results robust with the exclusion of widely held firms? For incentives for expropriation, the owner must maintain control of at least 30% of control rights, average value of the voting rights held by the controlling shareholders for our sample of French firms. We re-estimate the regressions after removing companies with a dispersed ownership. The results remain the same for both measures (Table 7). It should be noted here that 67% of our sample firms are companies whose ownership is concentrated in the hands of controlling shareholders holding more than one-third of control rights.

4.4.Conclusion

In this paper, we focus on the relationship between private benefits of control and the voluntary disclosure of corporate governance variables and the dual listing via asymmetric information. Controlling shareholders receive benefits in various forms, resulting in much of their proximity and the legal environment of the company. Our analysis focuses on a sample of

large French companies, 84 companies for a period of eleven consecutive years.
Compared to previous studies, we extend the concept of governance to include the provision of additional information available in the annual reports and documents reports. As part of a strategy of transparency, disclosure of such information is likely to reduce the information asymmetry between managers and investors and therefore is associated with a decrease in opportunities for transfers and diversions of wealth business by controlling shareholders

Our results show that transparency in the disclosure of governance variables and the dual listing of French firms reduces information asymmetry and potential opportunistic behavior by controlling shareholders. The quality of governance increases the cost of the diversion of the controlling shareholder with the result that less diversion occurs and the value of the company is higher. In this sense, our results add to the previous literature (eg, Chen et al. (2003) that voluntary disclosure of governance variables plays an important role in reducing information asymmetry in markets where governance mechanisms are low. In fact the voluntary disclosure and dual trading reduces the information asymmetry and therefore the diversion of wealth by controlling shareholders which suggests that voluntary disclosure and the dual listing are not purely symbolic. As in all research on the calculation of a score of voluntary disclosure, this study is based on a weighted score which could be wrong. Moreover, it would be interesting in a future study, or even to change the weighting of the disclosure score of governance by using a governance score with a better quality found in external databases. Similarly, this research could be refined by cutting edge companies in the level of concentration of ownership and the nature of the controlling shareholders (eg. institutional investors, family, foreign investors…). Our paper does not also consider the disadvantages (costs) to provide additional information such as the loss of competitiveness and increased expenses reports. These issues could be addressed in future research.

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Annexe: calcul du score de gouvernance

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Leadership											
Mission											
Planificationstratégique											
Gestion des risques											
Globalisation											
Total gestionstratégique											
Compétence des dirigeants											
Rémunération des dirigeants											
Total dirigeants											
Compétence des membres du conseil											
Indépendance des membres du conseil											
Rémunération des membres du conseil											
Comités du conseil											
Total administrateurs											
Compétence du comitéd'audit											
Indépendance du comitéd'audit											
Relations avec les auditeurs externes											
Relations avec les auditeurs internes											
Total comitéd'audit											
Structure de l'actionnariat											
vote et capital											
Total actionnariat						:					
Total gouvernance											

Échelle de codage :3 : Élément quantitatif ; 2 : Élément descriptif/qualitative ; 1 : Élément indicatif/général

Source :Cormier al(2010)