

Corporate Social Responsibility and Dividend Policy

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Abstract : Using a sample of 22,839 US firm-year observations over the 1991-2012 period, we find that high CSR firms pay more dividends than low CSR firms. The analysis of individual components of CSR provides strong support for this main finding: five of the six individual dimensions are also associated with high dividend payout. When analyzing the stability of dividend payout, our results show that socially irresponsible firms adjust dividends more rapidly than socially responsible firms do: dividend payout is more stable in high CSR firms. Additional results suggest that firms involved in two controversial activities -the military and alcohol - are associated with low dividend payouts. These findings are robust to alternative assumptions and model specifications, alternative measures of dividend, additional control, and several approaches to address endogeneity. Overall, our results are consistent with the expectation that high CSR firms may use dividend policy to manage the agency problems related to overinvestment in CSR.

Keywords : corporate social responsibility, dividend policy, Lintner model, agency theory, signaling theory, dividend stability

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