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A GLOBAL LOOK INTO STOCK INDICES FOR DIVIDEND PAYOUT, CORPORATE CASH, AND ESG ISSUES

Abstract:

By conducting country-level panel-data regressions to investigate the determinants of divided payments in 18 countries' representative stock market indices over the period 2008–2020, I analyze a trade-off in the distribution of net profits between paying dividends and retaining the rest. Some index-specific indicators for corporate financial particulars as well as country-specific environment (E), social (S), and governance (G) factors are formulated to work as not the independent variables for dividend payments but as the moderator variables. My findings are as follows. Dividend payments at a given year were positively associated with annual net profits, annually averaged risk-free interest rates, and cash holdings at the beginning of the year. These effective independent variables were similar in the marginal impact on the dependent variable. The positive association of dividend payments with the profits was affected by the moderator variables. In line with the theories of corporate finance, the positive association was strengthened by companies' increasing asset size and leverage whilst being weakened by their having more investment opportunities. It was stronger in countries with larger CO_2 emissions, lower women's labour participant, less corruption, and better information disclosure. Amongst the moderator variables, leverage and women's labour participant were similar in the marginal impact and more impactful than the other moderator variables. As implied in the stakeholder view, better E situation and S situation were associated with fewer dividend payments. Not in line with that view, better G situation was associated with more dividend payments, global-level evidence in favour of agency-based arguments. Apart from country fixed effects with great explanatory power, net profits and their interaction terms with women's labour participant and information disclosure had the largest explanatory power of dividend payments.

Keywords:

Dividend payout policy; Cash holdings; Corporate governance; ESG; Equity index.

JEL Classification: G35, G39, M14