KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON DIVIDEND PAYOUT OF LISTED FIRMS IN GHANA: THE ROLE OF FIRM SIZE

BY

WISDOM GALLEY

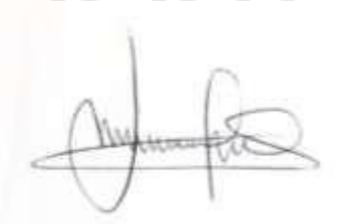
A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, COLLEGE OF HUMANITIES AND SOCIAL SCIENCES, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF

MASTER OF SCIENCE IN ACCOUNTING AND FINANCE

NOVEMBER, 2023

DECLARATION

I hereby declare that this submission is my own work towards the award of the MSc Accounting and Finance and that, to the best of my knowledge, it contains no material previously by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.



Wisdom Galley ……………… ……………….**17/11/2023**

(PG9387621) Signature Date

Certified by:

Joseph Oscar Akotey (Phd) ……………… ………………

(Supervisor) Signature Date

Certified by:

Prof. Kingsley Opoku Appiah ……………… ………………

(Head of Department) Signature Date

DEDICATION

I dedicate this thesis first of all to God for His invaluable grace and mercy throughout this program. To all my family, Supervisor and colleagues for their contribution in diverse ways towards the completion of this thesis

ACKNOWLEDGMENT

First of all, I want to praise and thank God Almighty for His protection, wisdom, and favor during my thesis work, which enabled me to successfully complete my research. The completion of this undertaking could not have been possible without the participation and assistance of so many people whose names may not all be listed. We genuinely appreciate the various ways in which they have contributed. A very special thanks to Dr. Joseph Oscar Akotey, my supervisor, whose advice enabled me to finish this thesis.

Last but not least, I want to sincerely thank my family for supporting me while I was putting this thesis together.

ABSTRACT

This study examined the effect of CSR on the dividend policy of listed firms in Ghana using firm size as a moderator. The study design was quantitative since the data for the study was numerical in nature. The study covered firms listed on the Ghana stock exchange. The period of the data span from 2010 to 2021. The study sampled 24 firms listed on the Ghana stock exchange. The data was analysed using probit regression. The study found that CSR had a significant positive effect on dividend policy. This suggests that the increase in CSR activities drives an increase in dividend payments. Also, the study found that firm size had a significant positive effect on dividend policy. This suggests that an increase in firm size leads to an increase in dividend policy. Finally, the study that firm size positively moderates the relationship between CSR and dividend policy suggesting that firm size strengthened the relationship between CSR and dividend policy. It is recommended that firms should prioritize both CSR and dividend policy in order to reap the benefits of both and maintain a strong, sustainable business. This may involve regularly reviewing and adjusting their CSR initiatives and dividend policies, and considering the needs and expectations of stakeholders. Firms can also use CSR to build their reputation and attract investors, which can positively impact their financial performance.

TABLE OF CONTENT

DECLARATION.. **II**

DEDICATION.. **III**

ACKNOWLEDGMENT .... **IV**

ABSTRACT .... **V**

TABLE OF CONTENT .... **VI**

LIST OF TABLES .... **IX**

LIST OF FIGURES .... **X**

CHAPTER ONE **1**

INTRODUCTION... **1**

1.0 Background of the Study 1

1.1 Problem Statement 3

1.2 Research Objectives 4

1.3 Research Questions 4

1.4 Significance of The Study 4

1.5 Brief Literature Review 5

1.6 Brief Methodology 6

1.7 Organization of the Study 6

CHAPTER TWO 7

LITERATURE REVIEW 7

2.0 Introduction 7

2.1 Conceptual Review 7

2.1.1 Corporate Social Responsibility 7

2.1.2 Corporate Social Stakeholders 9

2.1.3 Dividend 10

2.1.4 Forms of Dividend 11

2.1.4.1 Cash Dividend 12

2.1.4.2 Scrip Dividend 12

2.1.4.3 Bond Dividend 13

2.1.5 Factors Influencing Dividend Policy 13

2.2 Theoretical Review 16

2.2.1 Stakeholder Theory 16

2.2.2 Agency Theory.. 17

2.2.3 Legitimacy Theory 18

2.3 Empirical Review.. 19

2.4 Conceptual Framework 24

CHAPTER THREE 25

RESEARCH METHODOLOGY.. 25

3.0 Introduction 25

3.1 Research Design.. 25

3.2 Population and Sample 25

3.3 Sample Size and Sampling Technique 25

3.4 Sources of Data 26

3.5 Data Analysis 26

3.5.1 Panel Data 27

3.7 Variables and Measurement 28

CHAPTER FOUR 29

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS 29

4.1 Introduction 29

4.2 Descriptive Statistics 29

4.3 Correlation Matrix 32

4.4 Diagnostic Test 34

4.5 Regression Results and Discussion 34

4.6 Effect of Corporate Social Responsibility on Dividend Policy 34

4.7 Effect of Firm Size on Dividend Policy 36

4.8 Moderating Role of Firm Size between Corporate Social Responsibility and Dividend Policy 38

CHAPTER FIVE 40

SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS 40

5.1 Introduction 40

5.2 Summary of Findings 40

5.3 Conclusion 40

5.4 Recommendation 41

5.5 Recommendation for Further Studies 42

REFERENCE 43

LIST OF TABLES Table 3.1: Study Variables .. **Error! Bookmark not defined.**

Table 4.1: Descriptive statistics 31

Table 4.2: Correlation matrix.. 33

Table 4.3: Diagnostic test 34

Table 4.4: CSR and dividend policy 35

Table 4.5: Firm size and dividend policy.. 36

Table 4.6: CSR, firm size and dividend policy 38

LIST OF FIGURES

Figure 2.1: Conceptual Framework 24

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

As part of a company's dividend policy, it distributes a portion of its income to its shareholders. This policy specifies the frequency and amount of dividend payments (Kadim, Sunardi, and Husain, 2020). When operating a firm, a dividend policy is one of the most significant considerations for management. It plays a significant role in the financial choices made by the business. Because of this, every firm should have a dividend policy that specifies how much of its earnings should be reinvested and how much should be paid out in dividends. When it comes to longterm returns, dividend policy is critical since they represent a company's return on investment (Pattiruhu and Paais, 2020).

A growing number of organisations, activism, and publications have emerged in recent years encouraging firms to improve their practices based on a range of responsibility standards, making corporate social responsibility (CSR) an increasingly relevant concept (Choi, Overton, and McKeever, 2018). In accordance with the stakeholder theory, firms make social disclosures in accordance with what is best for various stakeholder groups. The investor is one of several stakeholders for whom corporations must provide social disclosures. It is becoming more common for companies to participate in CSR programmes, which results in more information being provided on their corporate pages. Increasing the quantity of publicly available information increases openness while decreasing the degree of information disparity (Caputo, 2020). As a result, investors, creditors, and other financial stakeholders will be able to learn more about a firm at a lower cost.

Companies participating in CSR programmes are able to raise and issue funds more cheaply as a consequence (García-Sánchez, Hussain, Martínez-Ferrero and RuizBarbadillo, 2019). When expenses are well-managed, profitability increases, which results in a larger dividend distribution in the end. According to Benlemlih (2019) and Goss and Roberts (2011), businesses with a lower commitment to social responsibility often have a higher cost of capital or must pay a significant premium for outside funding. Because of this, they would rather retain their cash on hand for future internal financing than pay a higher dividend to shareholders.

Previous research shows that the amount in dividends paid by a corporation is strongly influenced by its size (Nugraha, Johanes and Hendiarto, 2021; Juhandi, Fahlevi, Abdi, and Noviantoro, 2019). A company's size may be classified as large, medium, or small (Juhandi et al., 2019). The number of stockholders in medium- and small-sized businesses is lower than in bigger corporations. As a result, smaller firms are more likely to utilise their earnings to maintain or develop the company, while bigger corporations are more likely to reward their shareholders with dividends. According to D'Amato and Falivena (2020), a company's size has a significant impact on the extent of CSR engagement. Bigger corporations frequently have greater and easier access to market finance, allowing them to engage in various CSR activities. Siam, Islam, Nassar, Jebreel and ALMahadin (2021) find that firm size is an important variable in the CSR - dividend payout nexus since the size of the firm determines the level of commitment to CSR, which leads to higher dividend payout.

1.1 Problem Statement

How frequently and how much a corporation pays out in dividends is determined by its dividend policy. Choosing a dividend policy is critical for a company's longterm success since it is the investors' return on investment (Ansar, Butt, and Shah, 2015). Companies with a strong focus on corporate social responsibility are more likely to see increased profits in the future, which they may then distribute to shareholders. CSR, according to Cho, Chung and Young (2019), may improve profitability byh enhancing stakeholder interactions, managerial efficiency, asset allocation, and labour legislation. Businesses, investors, and other interested parties are all anticipated to gain as a consequence of companies engaging in CSR. Empirical studies have shown that activities related to corporate social responsibility (CSR) foster close relationships with various stakeholders, which leads to a reduction in transaction costs, a boost in competitive advantage, and a lessening of the cash flow shock in the event of economic crises (Boubaker, Cellier, Manita and Saeed, 2020; Adinata, 2019; Tien, and Hung Anh, 2018). In turn, this helps boost the company's bottom line, allowing it to distribute a greater amount in dividends.

According to the legitimacy theory, when a firm increases in size, it is under increased pressure to engage in a lot of CSR activities in order to create a positive image. As a result, larger companies improve their future cash flows through CSR activities affecting dividend payments. The literature in the Ghanaian context has failed to examine the constructs. Literature in Ghana focuses on CSR and firm performance (Agyemang and Ansong, 2017; Famiyeh, 2017; Gatsi, Anipa, Gadzo, and Ameyibor, 2016). This study, therefore, examines the effect of CSR on the dividend policy of listed firms in Ghana using firm size as a moderator.

1.2 Research Objectives

The general objective of the study is to examine the effect of CSR on the dividend policy of listed firms in Ghana using firm size as a moderator. The following are the specific objectives:

1. To examine the effect of CSR on dividend policy
2. To examine the effect of firm size on dividend policy
3. To examine the moderating effect of firm size on the nexus between CSR and dividend policy

1.3 Research Questions

1. What is the effect of CSR on dividend policy?
2. What is the effect of firm size on dividend policy?
3. What is the moderating effect of firm size on the nexus between CSR and dividend policy?

1.4 Significance of The Study

The study offers significant benefits to Ghanaian literature. The findings of the study will provide empirical evidence for firm size role in the CSR dividend policy relationship. Hence the finding will confirm or refute findings done in developed economies.

The study is important to managers. The findings will inform managers about how CSR activities affect dividend policy. Also, the finding will inform managers whether growing the size of the firm is beneficial to the success of the firm and help them shape their internal management decisions to optimize dividend pay-out.

The finding is beneficial to investors. The findings will inform investors of dividend pay-outs of sampled firms. This will help them decide which firms to invest in to enjoy higher dividends. Also, the findings will inform investors on whether bigger firms pay higher dividends compared to smaller firms.

The finding is also important to regulators on the Ghana stock exchange. The finding will inform them on policy direction. The finding could propel them to organise seminars for the listed firms concerning policy on CSR and dividends.

1.5 Brief Literature Review

Stakeholder theory by Freeman (1984) states that a manager is not merely responsible for ensuring that shareholders earn as much money as feasible. Regardless of where the interests of the company's stakeholders lay, they must be dealt with in a responsible manner. Making the company as lucrative as possible for shareholders and other partners means adopting socially acceptable behaviour. Investing in socially responsible activities builds goodwill for firms, which enables them to increase their dividend payouts.

From 1991 to 2012, Benlemlih (2019) gathered 22,839 firm-year observations for the United States. They found that companies with high CSR paid out more money in dividends than companies with low CSR. Also, Sallehuddin, Keong, and Yatim (2022) looked at 32 Malaysian financial institutions that were traded publicly in 2017. It used information from both the annual report and database. The regression study showed that corporate social responsibility and the distribution of dividends are positively related.

1.6 Brief Methodology

The study design shall be quantitative since the data for the study is numerical in nature. The study shall cover firms listed on the Ghana stock exchange. The period of the data shall span from 2010 to 2021. The variables for the study shall be corporate social responsibility which is the independent variable and dividend policy which is the dependent variable. Firm size shall be the moderator. The study shall control for leverage, age, inflation, and profitability. The method of analysis shall be panel regression.

1.7 Organization of the Study

This study contains five chapters. Chapter one shall introduce the study and outlines issues relating to the background of the study, the problem statement, research objectives and questions, justifications, the scope of the study and finally, the organisation of the study. Chapter two shall present a literature review on the subject. This includes a critical evaluation of conceptual, theoretical and empirical studies by other researchers. In concluding the chapter, the study's conceptual framework shall be given. Chapter three contains a detailed discussion on the adopted methods of data collection. Chapter four shall examine and discuss the data collected for the study. Finally, chapter five presents a summary of the findings, conclusions and recommendations and areas for future research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a review of research that has been done on the subject in the past. The section entails a review of conceptual theoretical and empirical review.

2.1 Conceptual Review

2.1.1 Corporate Social Responsibility

The term "Corporate Social Responsibility," which also goes by the names "Corporate Responsibility," "Corporate Citizenship," and "Responsible Business," refers to an approach to business that encourages companies to consider the effects of their operations on society at large, including consumers, suppliers, employees, shareholders, and communities. Typically, this dedication entails corporations going above and beyond what is needed by law to enhance the lives of their employees, their families, the surrounding community, and society at large (Moon, and Knudsen, 2018).

In other words, CSR is an organization's commitment to enhancing the lives of its workers, their families, their communities, and society at large while also contributing to the long-term health of the economy and the community. It's when a company proactively considers and responds to the social, environmental, and economic consequences of its supply chain activities (Cho, Chung, and Young, 2019). Numerous initiatives are undertaken by corporations to advance CSR. They do things like improve the health and well-being of their workers, provide internships and work experience, give back to the community, encourage a diverse and inclusive workplace, reduce waste and increase energy efficiency, host community events, use socially responsible products and services, and offer advice to other companies (Cho et al., 2019). Corporate social responsibility, according to Bianchi, Bruno and Sarabia-Sanchez (2019) occurs when a firm takes proactive measures to address societal concerns that impact more than simply the company itself. Business ethics, therefore, is a deliberate effort on the side of the company to act in accordance with societal norms and values.

Contrarily, according to Crane and Matten (2021), social responsibility is a strategy for fulfilling one's societal duties. Plan objectives stem from the belief that businesses should prioritise both profit and social good. They continue by explaining how a company's decision to downsize by, say, discontinuing a product line or shutting a factory can impact not only the workers there but also the surrounding neighbourhoods and the consumers who now won't be able to buy that product. In addition, they argue that businesses operate as social entities that are influenced by their surroundings.

According to McGuinness, Vieito, and Wang (2017), in order to be a responsible business, one must prioritise societally beneficial objectives. As a result of these considerations, businesses and individuals are discouraged from engaging in activities that injure others, regardless of how lucrative they may be. Business, according to Kinicki and Williams (2008), is a root cause of many societal ills, thus it stands to reason that corporations are also capable, given sufficient resources, of providing solutions. Jo and Na (2012), on the other hand, argues that businesses should not just focus on short-term profits for their shareholders but also on the long-term good of society. Rhou, Singal, and Koh (2016) agrees that CSR represents a change in company emphasis from profit maximisation to the fair distribution of those earnings to all stakeholders.

2.1.2 Corporate Social Stakeholders

There are two categories of interested parties when it comes to CSR: (1) main stakeholders and (2) secondary stakeholders. On the one hand, significant stakeholders are those who are both familiar with the business and powerful enough to exert influence over its decisions. Employees, stockholders, suppliers, creditors, and consumers are all considered stakeholders (Thijssens, Bollen, and Hassink, 2015).

Because of this, the organization's key stakeholders may either influence or be impacted by the company's business actions. Specifically, it concerns the company's policies on discrimination, confidentiality, and loyalty among its staff. According to Burke and Cary (2008), "good employers" adhere to a set of principles regarding how they treat their employees, including providing them with opportunities for professional development, ensuring their jobs are secure, listening to their input, and incorporating their ideas into decision-making at work.

Conversely, secondary stakeholders are those who are indirectly interested in the organisation but are nevertheless impacted by its actions; The government, together with NGOs, activists, local communities, trade organisations, rivals, and the public at large (Thijssens, Bollen, and Hassink, 2015). According to Wheelan and Hunger (2008), a written or verbal contract is uncommon in situations when a corporation has a connection with a third party who is not an investor. For the most part, monetary considerations are paramount. A company's moral and ethical duties require it to give serious thought to the preferences of those who are not directly involved in its primary activities.

2.1.3 Dividend

Investors are rewarded on a monthly basis for their wealth and capital by receiving dividends. Gifts might be monetary, equitably, or physically real. A dividend is a portion of a company's net earnings that is distributed to its shareholders (Agyei and Marfo-Yiadom, 2011). When considering whether or not to distribute dividends to shareholders, the Board of Directors (BOD) looks at the company's financial performance and the amount of money it has earned. As a result, the dividend policy is ultimately decided by the board of directors. Payouts of dividends in Ghana occur annually.

A company's dividend policy might change its payout to shareholders. This is mostly due to the fact that dividend policy dictates how much of a company's earnings are distributed to shareholders and how much is retained for future investment (Cristea, and Cristea, 2017). A company's ability to pay cash dividends to shareholders is contingent on its ability to retain earnings. The cash dividend will decrease as the company's profits increase, and vice versa. An enterprise is started and maintained primarily to boost the owners' financial position. Therefore, one of the most crucial aspects of financial management is the corporation's dividend policy. The most crucial aspect of a dividend policy is deciding what percentage of a company's earnings should be distributed to shareholders and what percentage should be retained by the business. Retained earnings are a company's primary source of internal funding for expansion. Dividends, on the other hand, may be seen favourably by shareholders since they increase returns (Dewasiri, Koralalage, Azeez, Jayarathne, Kuruppuarachchi, and Weerasinghe, 2019).

Dividends are usually a contentious issue, with shareholders demanding that companies pay a higher payout while management remains dedicated to saving money in order to increase the value of their stock. Management should maximise shareholder value by deciding how to split net income between dividend payments and internal use. This approach will be heavily influenced by the firm's investment possibilities and the relative worth of dividends and capital gains for shareholders (Booth, and Zhou, 2017).

Even though dividends are interesting, a stock's market value is the most telling indicator of success". Dividend yield is seen as more secure by investors than capital gain. Cash is the most common form of dividend payment. As a result, the company's financial reserves will be diminished. The dividend policy impacts the capital structure, cash flow, liquidity, and investor perception of the firm. When adopting policy choices that seek to increase the value of the company's common stock, this is one of the most significant factors to consider (Jovković, Vasić, and Bogićević, 2021).

2.1.4 Forms of Dividend

Although cash dividends are the most prevalent, companies often utilise a mix of payout forms to achieve their objectives. Organizations can tailor their dividend distribution strategies to their specific goals. Dividends may be paid out in a variety of forms, such as cash, stock, bond, or scrip. Dividends in cash or shares are all that Ghana has ever declared and paid. There have been no further dividends declared or distributed (Baker and Weigand, 2015).

2.1.4.1 Cash Dividend

An example of a dividend that is paid out in the form of cash is a cash dividend. It is a standard method of payment that's widely accepted and understood. When a dividend is paid out of the company's cash balance, it reduces both the cash and reserve balances. Because of this, the company's total assets and net worth will decrease by the dividend amount. The market price of a stock rises when a cash dividend is declared, and it falls when the dividend is distributed. The company should always have sufficient funds on hand to provide cash dividends to shareholders. Cash dividends are paid out to shareholders based on the company's profitability and management's discretion over those profits (Nurchaqiqi, and Suryarini, 2018).

2.1.4.2 Scrip Dividend

When a dividend is given out in the form of a scrip or a promissory note, it is called a scrip dividend (Huerga and Rodríguez-Monroy, 2018). As a result of temporary cash flow issues, the firm sometimes needs to utilise operating revenue to meet payroll and other fixed costs. Scrip dividends are distributed for these purposes with the understanding that they will be redeemed at a later date. There is an expiration date for the scrip, and it may or may not accrue interest. However, such an event is very rare in the financial sector. An overview of the dividend paid out on scrip is as follows:

- Scratch-off interest payments may or may not be included in dividends.
- The number of outstanding shares is not adjusted by this kind of payout. Instead, it issues a promissory note to the shareholders proportional to their shareholdings.
- It is widely held among investors that scrip payouts lack the emotional impact of cash or stock dividends.

2.1.4.3 Bond Dividend

A bond dividend is a dividend that is distributed to shareholders in the form of bonds (Filipović and Willems, 2020). Bond dividends are issued primarily to postpone dividend payments for a certain period of time. Bond dividends are identical to scrip dividends except that they have a longer time horizon until maturity. The corporation issues its own bond as a dividend payment in this scenario. This action is taken to cut down on the organization's outgoing cash flow. The issuer of the bond (the company) is responsible for paying both the interest and principal when they are due.

2.1.5 Factors Influencing Dividend Policy

The following are the factors influencing dividend policy. Previous studies have considered them (Hartono, Sari, Tinungki, Jakaria, and Hartono, 2021; Ain, and Manping, 2022; Abdullahi, Adebayo, and Aliyu, 2020).

i) Access to Capital Market:

A business that is short on cash on hand may still be able to pay dividends if it can raise capital via debt or equity. When a company has a proven track record of profitability, securing funding from investors is a breeze. Managers' ability to distribute dividends and fulfil other company responsibilities is expanded by the availability of funds on the capital market. A higher dividend payout rate is possible for larger, more established businesses because of their better access to the capital market, which lessens their dependence on domestically produced funds (Hartono et al., 2021).

Ii) Inflation

Inflation is another factor that may have a role in a company's dividend decision. Inflation causes prices to rise, which means the money saved via depreciation may not be enough to buy new equipment. It is possible that the corporation may have to retain more of its income if it has to replace its assets soon. This means that the dividend payout ratio will be low (Ain, and Manping, 2022).

iii) Earnings Predictability

Earnings stability allows investors to forecast a company's future profitability with a high degree of accuracy. So, it stands to reason that this kind of business is more likely to give a larger portion of its earnings. The unsteady business cannot predict its future profits, it is therefore likely to hoard much of its current cash flow. The dividend may be maintained at a lower level if future earnings are also lower (Abdullahi et al., 2020). **iv)**

Investment Possibilities

The company's goal is to maintain a healthy profit margin whenever possible for the purpose of taking advantage of the many investment possibilities that arise. However, if there are not many solid investments, the firm will distribute the money as dividends. When there are few profitable investment options, a corporation may choose to sit on its profits rather than reinvest them. Stockholders' wealth will be reduced and the stock's market price will fall as a result of this (Hartono et al., 2021).

v) Liquidity

A company's capacity to distribute dividends is influenced by its current financial status. When dividends are paid out, it reduces funds available for other uses. A firm may be able to pay dividends if it earns enough money, but it may not have enough cash on hand. Therefore, the firm's cash situation is crucial to its dividendpaying capabilities. The more a company's cash and liquidity, the higher its dividend payments may be. For a corporation to be able to pay dividends, it has to have sufficient cash on hand, and it may not have that if it has invested its retained profits in long-term assets. The corporation must have sufficient cash on hand and retained profits in order to distribute dividends (Salman, 2019).

vi) Ownership Control

It is possible that the company's present management or its current owners would want to maintain their positions of power. For the company's dividend policy, this could be a major consideration. Giving out a large dividend might affect a company's liquidity. This necessitates a higher share offering in order to fund the investment plan. Current shareholders will lose control of the firm if they are unable or unwilling to purchase fresh shares. Investing in the company's future may necessitate delaying dividend payments and keeping revenues in the bank (Arif, and Akbarshah, 2013).

vii) Restrictions in debt contracts or loan agreements

Debt contracts may have restrictions that say dividends can only be paid out of profits made after the loan agreement was signed and when net working capital is more than a certain amount. Also, preferred dividends come first, and regular dividends come second. Lenders use the limit to make sure the company can still pay back its debts.

Most of the time, it is shown as a percentage cap on total profits. When a limit like this is in place, it cannot help but change a company's dividend policy (Kuruppuarachchi, and Weerasinghe, 2019).

2.2 Theoretical Review

2.2.1 Stakeholder Theory

Freeman (1984) was the first person to come up with stakeholder theory in. This theory says that every organisation has many stakeholders who have different claims about the business. Shareholders, workers, suppliers, the government, trade unions, civil society, consumers, and other financiers are all common examples of stakeholders. However, in general, a stakeholder is anyone who has an explicit or implicit claim on the firm (Cornell and Shapiro, 1987). In the more traditional view of the corporation, the only important interaction between the firm and its stakeholders is between the firm's owners and their stated claim of return on investment. Friedman's famous 1970 New York Times article shows this point. Cornell and Shapiro (1987) explain one of the stakeholder theory's effects that is especially important to this study. In their model, stakeholder claims can either be made directly or not at all. Claims that are straightforward to recognise include, for example, salary contracts, dividend policies, mandated returns, and bond payments. Claims that cannot be priced or controlled directly in a contract are called "implicit claims." There may be an implied promise that a company will offer replacement parts for its products, that an employer will keep a certain work environment for its employees, or that a company will keep making a support product or service. Rakotomavo (2012) asserts that corporate social responsibility is a way for all stakeholders to get paid, either directly or indirectly. Investments in charitable and other volunteer programmes, financial support for housing for people with special needs, investments in educational development for employee families, and any other investments made on behalf of society can be thought of as direct or indirect compensation to stakeholders. So, the stakeholder theory has effects on the connection between CSR and DP.

2.2.2 Agency Theory

While stakeholder theory looks at the relationship between a business and all of its stakeholders, agency theory looks at the relationship between a company's management and its owners, or shareholders, but it can be used to explain any interaction between a principal and an agent. An agency relationship is made when a contract is made between a principal and an agent that tells the agent to do certain things for the principal (Jensen and Meckling, 1976). In a publicly traded company, the shareholders, who own the company, are the principals, and the management, who are the agents, are hired to make decisions that bring the most value to the owners.

But Berle and Means (1930) were among the first to point out that management and the owners of a company do not always have the same goals. This causes problems called principal-agent problems. So, there may be costs related to the fact that ownership and control are split in a public corporation. These costs are called "agency costs," and they include (1) monitoring costs and (2) losses (Jensen and Mecklenburg, 1976).

Monitoring costs come from the need for stockholders to keep an eye on how a company is run, or, in a broader sense, for principals to keep an eye on agents. The goal of this kind of monitoring is to make sure that the management is acting in the best interests of the owners. Annual reports are one way that the owners of a company can keep an eye on how it is run. Others include setting budget limits and coming up with a way to pay management that encourages them to act in the best interests of the shareholders, like stock-option programmes (Jensen and Meckling 1976).

Even though giving out annual reports lowers monitoring costs (Raffournier, 1995), compensation plans can sometimes make them go up. The residual loss is the difference between the value of the business choice made by management and the value of the business choice that would have brought the most value to shareholders. If management can maximise the value to the shareholders, there will not be any loss left over. But agency theory asserts that there will always be a difference between the two because the cost of full contract enforcement is higher than its benefits (Fama and Jensen, 1983). if management decides to pursue their own interest, CSR may be spent on items that will not increase the value of the firm hence negative NPV leads to lower returns affecting dividend payments negatively.

2.2.3 Legitimacy Theory

The core argument of legitimacy theory is that "an entity's activities are desirable, legitimate, or acceptable given specified socially established norms, values, beliefs, and definitions" (Suchman 1995). It is predicated on the notion that all members of a society are in accord. Because communities have jurisdiction over the occupancy and use of natural resources and labour, businesses are accountable to their local communities for their activities and choices (Deegan 2004).

According to legitimacy theory, firms engage in CSR activities to meet the expectations and norms of important stakeholders, such as shareholders, employees, customers, regulators, and the wider community (Sari and Prihandini, 2019). The theory further suggests that larger firms may be more likely to engage in CSR activities and pay dividends because they have a greater need to maintain their social legitimacy. This is because larger firms typically have a broader range of stakeholders, a greater public profile, and more complex operations, all of which increase their exposure to social and regulatory pressures (Lanis and Richardson, 2012). Larger firms may therefore be more likely to engage in CSR activities and pay dividends as a way of demonstrating their commitment to responsible business practices and to meet the expectations of stakeholders. This is consistent with the idea that larger firms have a greater need to maintain their social legitimacy, as they have more to lose if their reputation is damaged.

On the other hand, smaller firms may have fewer stakeholders and a lower public profile, which may reduce their need to engage in CSR activities and pay dividends. Smaller firms may therefore have more flexibility in terms of how they allocate their resources and may be more likely to prioritize investment in growth and expansion over CSR activities and dividends (Al-Shubiri, Al-Abedallat and Orabi, 2012).

2.3 Empirical Review

Sheikh (2020) used Logit and Tobit regressions to figure out the relationship between business success in CSR and corporate rewards. The data show that there is a link between CSR performance and the amount and frequency of dividends, repurchases, and total payments (dividends plus repurchases). But the link between CSR performance and corporate payments is strong only for businesses that operate in areas where there is not much competition. In markets with a lot of competition, CSR performance has not been shown to have a big effect on how much money a business makes.

Sheikh, Bhutta, Rehman, Bazil, and Hassan (2021) used a sample of 1,480 observations from Pakistan from 2010 to 2016 and did a strong regression analysis that took into account Hackman's self-selection bias and endogeneity concerns.

CSR activity was judged by a CSR score that was based on what was in a company's annual report. The study found that the more CSR activities a company has, the more likely it is to pay dividends, but the smaller the dividends will be for companies that pay dividends. On the other hand, when there are more CSR activities, family businesses are less likely to pay dividends, while dividend-paying firms pay more dividends.

The panel data approach was used by Salah and Amar (2022) to look at a sample of non-financial businesses in France from 2008 to 2018. The models were estimated by using the generalised least squares method. The research showed that CSR activities were good for dividend policy. The authors also found that certain elements of CSR have a positive effect on dividend policy.

Sallehuddin, Keong, and Yatim's research (2022) looked at 32 Malaysian financial institutions that were publicly traded as of 2017. It used information from both the annual report and the database. Text analysis was also used to figure out the CSR disclosure score, and the database was used to figure out how much dividends to pay. There was a link between factors at work and in the community and the payment of dividends. Even though the results weren't statistically significant, the regression analysis showed a positive link between workplace and community factors and dividend payments. There was also a negative relationship between market and environmental dimensions and dividend payment.

The goal of Maqbool, Abid, and Bhutta's (2012) research was to look at how corporate social responsibility affects dividend payouts, taking into account how corporate governance quality affects Pakistani mutual funds. This study used a twostep system called the generalised method of moments (GMM) to deal with both endogeneity problems caused by the use of firm-specific variables and endogeneity problems caused by the choice of how to pay out dividends. Based on the data, it was clear that mutual funds with a higher level of corporate social responsibility paid higher dividends. The level of corporate governance not only has a large positive effect on the dividend payouts of mutual funds, but it also moderates the relationship between dividend payouts and corporate social responsibility. Siam, Islam, Nassar, Jebreel, and ALMahadin's (2021) research looked at how corporate social responsibility (CSR) affects dividend policy and how the size of a company affects dividend policy for businesses in a developing market. It looked at a sample of 265 businesses in the industrial sector that were listed on the Amman Stock Exchange between 2010 and 2016. The results of the regression showed that when CSR activities and engagements go up, companies are less likely to pay dividends on average. The research found that the size of the business had a big effect on the link between CSR activities and dividend policy.

For their research, Badru and Qasem (2021) looked at 263 Malaysian firms that took part in the Capital Market Development from 2008 to 2013. Pooled ordinary least squares, quantile, and Tobit regression methods were used in the study. These methods showed that there is a strong and positive relationship between CSR and dividend payments. This means that the higher the CSR, the bigger the dividends given to shareholders.

Using a strategy called "data triangulation," Dewasiri and Abeysekera (2022) looked at the link between corporate social responsibility and dividend policy in Sri Lanka. The results of the secondary data method show that environmental and social CSR has a positive effect on both the likelihood of paying dividends and the actual payment of dividends. Based on the first-hand data used in the method, the results show that ethical and charitable CSR dimensions have a positive effect on both the likelihood of paying dividends and the amount of dividends paid.

Between 2016 and 2018, Adiputra and Hermawan (2020) looked at 30 Indonesian Stock Exchange-listed industrial businesses. The conclusion shows that the size of a company and its dividend policy have a big effect on how much it is worth. So, Corporate Social Responsibility and liquidity do not have a big effect on how much a company is worth.

Samet and Jarboui (2017) used regression analysis to look at the link between CSR performance and payment policy for 397 European companies in the STOXX Europe 600 from 2009 to 2014. The first result shows that companies that do a better job with CSR have a more generous payment strategy. When choosing between paying dividends and buying back shares, companies with a strong track record of corporate social responsibility (CSR) tend to choose repurchases. CSR performance has a big effect on the link between dividends and share repurchases. Cheung (2016) looked at two perspectives on dividends from the point of view of corporate social responsibility (CSR). First, CSR projects lower the cost of equity, which makes companies more likely to invest or keep their money rather than pay dividends. The second point of view is that CSR projects are those with a positive net present value (NPV) that increase profits and, in turn, dividends. The first (second) point of view says that companies that do more CSR activities will have lower (higher) dividend payouts. The result is trustworthy and backs up the second point of view.

Adu-Boanyan et al (2013) researched manufacturing firms on the Ghana stock exchange from 1997 to 2006. Dividend payout was used as a dependent variable and earning per share, profitability, cash flow, growth size, and liquidity was the measurement for independent variables. The result discovered that profitability, growth, and size had a positive relationship with dividend payout.

Morakinyo et al (2018), also investigated on the deposit money bank on the Nigeria stock exchange from the period of 2006 to 2016. The dependent variable was the dividend payout. Size, profitability, leverage (debt/asset), board size and board independent was measured as independent variable whereas financial crisis and political factor as control variables. The finding revealed that profitability and size had a positive relationship while leverage had a negative relationship with dividend payout.

Alber and Alhabtour (2017) used sixty-seven companies listed Saudi companies from 2006-2014. The independent variables were profitability, liquidity, leverage, size, asset growth, and earnings growth, market value to book value, age and previous dividend. The dependent variables were dividend payout and dividend decision. The findings revealed that profitability, size, and age have positive relationship with dividend decision. Market to book value ratio and leverage have a negative relationship with dividend decision.

2.4 Conceptual Framework

The diagram of the study is presented in figure one. The variables are independent, dependent, moderator and control variables. Corporate social responsibility is the independent variable and dividend policy is the dependent variable. Firm size is the moderator. The study control variables are leverage, inflation, age, and profitability.

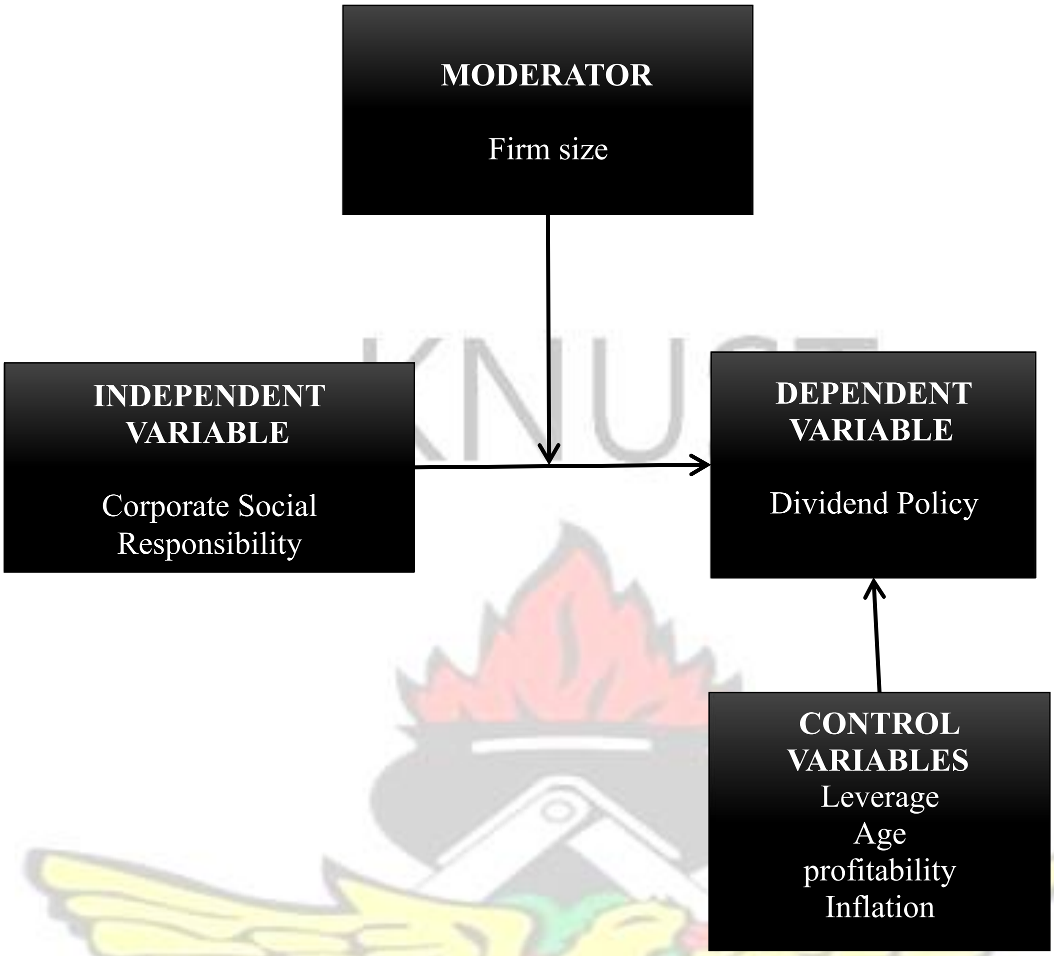


Figure 2.1: Conceptual Framework

Source: Authors Construct (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter examines the technique utilized to carry out the research. Discussions on research design, demographic, sampling, data collecting, data processing, and study variables are among the topics covered.

3.1 Research Design

As Rahi (2017) defined, "research design" is the framework, structure, and strategy of an investigation developed to answer research questions and account for differences. Quantitative techniques were used to acquire the data used in this research. In order to establish the veracity or falsity of a hypothesis and gather precise, quantifiable data from which statistically sound inferences may be drawn, the quantitative research approach was used.

3.2 Population and Sample

The population comprised of firms listed on the Ghana stock exchange. There are thirty-nine companies currently listed on the Ghana stock exchange.

3.3 Sample Size and Sampling Technique

The sample, according to Bryman and Bell (2015), is the portion of the population selected for inquiry. At the time of writing, there were 39 listed companies. Out of these, 24 companies were chosen. The sampling method was purposive sampling since the researcher used predetermined criteria to choose the sample. Firms lacking significant data were omitted. Firms that report their data in foreign currencies were also excluded. The period of the study span from 2010 to 2021 since the study intends to use the most recent data.

3.4 Sources of Data

Primary and secondary data are the two primary categories of information used in research. During a study, a researcher collects primary data, which is material that the researcher created particularly to answer the study's questions. Getting this type of information usually takes a lot of time and money. Existing records and reports from a corporation, stock prices, and survey findings are examples of secondary data. It is particularly common in economic studies because of the ease with which this data may be collected (Zikmund, Babin, Carr, and Griffin, 2010). Each piece of data in this study was gleaned from secondary sources. Secondary data was gathered from the selected firms' annual reports. According to Olsson and Sorensen (2011), it is challenging to use secondary data. Data loss is a possibility if not all businesses are included in the database. The information utilized comes from the selected firms' annual reports, which were audited and found to be in order by independent auditors.

3.5 Data Analysis

Panel regression was used in the analysis of the data. This research aimed to determine whether and how CSR affects dividend policy. Because regression models are so helpful in determining the likelihood of correlations, it is possible that this research objective may be achieved by using one. Given that factors other than CSR may influence dividend policy, the regression model used control variables to improve the precision of the estimations. Panel regression was used for this study. It is explained below.

3.5.1 Panel Data

Fixed effects regression and random effects regression are two methods for analysing panel data, as described by Croissant and Millo (2018). Unchanged characteristics of individuals are assumed to be "fixed effects" in the fixed effects model (Croissant and Millo, 2018). In contrast, the random effects model assumes that these unobserved individual attributes come from some random distribution. The statistical analysis tool estimates fixed effects using ordinary least squares and random effects with the generalised least squares (GLS) technique. Both regression approaches might be effective when dealing with panel data. The Hausman test is a commonly used test to determine whether to use a fixed effects or a random effects model. Probit panel regression is used when the dependent variable is a binary outcome, and the independent variables are both time-invariant and time-varying. In such cases, a Probit random effects model would be used to account for the correlation between the errors across time for each individual (Studenmund, 2014).

$$DP_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 Profitability_{it} + \beta_3 Leverage + \beta_4 Age + \beta_5 inflation_{it} + \varepsilon_{it} \dots .(1)$$

$$DP_{it} = \alpha + \beta_1 Size_{it} + \beta_2 Profitability_{it} + \beta_3 Leverage + \beta_4 Age + \beta_5 inflation_{it} + \varepsilon_{it} \dots .(2)$$

$$DP_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 size_{it} + \beta_3 (CSR * size)_{it} + \beta_4 Profitability_{it} + \beta_5 Leverage + \beta_6 Age_{it} + \beta_7 inflation_{it} + \varepsilon_{it} \dots .(3)$$

The estimation method was panel probit regression. This is because the the dependent variable was a binary variable.

3.7 Variables and Measurement

The variables for the study were grouped into independent variable, dependent variable, moderator and control variable.

Table 3.1: Study Variables

Variable Identity	Definition	Source

Dependent Variable		
Dividend Policy	Binary variable which take the value of 1 if the firm pays dividend and zero if otherwise	Kadioglu and Yilmaz (2017)
Independent Variable		
Corporate social responsibility	Natural log of actual amount spent on corporate social responsibility	Selcuk, and Kiymaz (2017)
Moderator		
Size	Natural logarithm of total assets	Nasimi (2016)
Firm Control Variables		
Profitability	Net income divided by total assets	Ikapel and Kajirwa, (2017)
Age	Age of the firm	Selcuk, and Kiymaz (2017)
Leverage	Total debt divided by equity	Khidmat and Rehman, 2014
Country Controls		
Inflation	Consumer price index	Tebourbi, Ting, Kweh, and Huseini (2020)

Source: Authors Construct (2022)

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

In general, this chapter summarizes the data presentation, analysis, and discussion of the data acquired during the study using the methodology assumed for conducting the research.

4.2 Descriptive Statistics

Table 4.1 reveal that, on average, slightly more than half of the financial and nonfinancial firms in the study pay dividends. The mean of 0.58 suggests that, on average, a little over half of the firms pay dividends. However, the large standard deviation of 0.49 indicates that there is a wide variation in dividend-paying rates among the firms. Some firms may have a much higher or lower dividend-paying rate than the mean. For investors, a dividend-paying firm can be attractive because it provides a source of regular income in addition to any potential capital gains from stock price appreciation. Dividends can also be an indication that the company is well-managed and has a long-term focus on delivering value to its shareholders. The table also reveals that the mean CSR by the firms in the study is 7.67, with a standard deviation of 6.27. The mean of 7.67 suggests that, on average, the firms in the study spent a relatively high amount on CSR activities. However, the large standard deviation of 6.27 suggests that there is a lot of variation in the amount spent on CSR across the firms. Some firms may spend much more on CSR than others, and the distribution of CSR expenditures may be positively skewed, with a few firms spending large amounts of money and many firms spending much less.

This information may suggest that there is no clear consensus among firms about the appropriate level of CSR spending, and that some firms may view CSR activities as more important than others. It may also suggest that there are other factors beyond a firm's financial performance that influence their decisions about how much to spend on CSR activities, such as the firm's values, beliefs, and priorities.

The mean natural log of total assets (proxy for firm size) has mean of 19.66 with a standard deviation of 2.35. The mean of 19.66 indicates that, on average, the firms in the study are relatively large, although the large standard deviation of 2.35 suggests that there is considerable variation in size across firms. Some firms may be much larger than the average, while others may be much smaller. The size of a firm can have important implications for its financial performance, as larger firms may have greater access to resources and economies of scale that can help them achieve higher profits and lower costs. However, the size of a firm can also have important implications for its social and environmental impact, as larger firms may have a greater influence on the communities and ecosystems in which they operate.

The table further suggests that the mean age of the firms in the study is 46.53 with a standard deviation of 23.32. This suggests that the firms in the study are relatively established and have been in operation for a significant amount of time. The age of a firm can have important implications for its financial performance, as more established firms may have a more stable customer base and a well-established brand reputation, which can help them maintain higher profits and achieve lower costs. However, the age of a firm can also have important implications for its social and environmental impact, as more established firms may have a greater influence on the communities and ecosystems in which they operate. The age of the firm can also have implication for dividend policy. As firms become more established and mature, they may have more stable cash flows and greater financial resources, which may make it easier for them to pay dividends to shareholders. Moreover, older firms may have established a track record of paying dividends, which may make it more likely that they will continue to pay dividends in the future.

Table 4.1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DP	275	0.58	0.49	0.00	1.00
CSR	275	7.67	6.27	0.00	16.49
Size	275	19.66	2.35	13.77	23.64
Age	275	46.53	23.32	2.00	125.00
Prof	275	-0.06	1.52	-25.06	0.46
Lev	275	0.71	0.23	0.02	1.43
Infl	275	0.12	0.03	0.07	0.17

Source: Authors Construct (2022), DP: dividend policy, CSR: corporate social responsibility, prof: profitability, Lev: leverage, Infl: inflation

The table also reveal that the mean profitability of -0.06 with a standard deviation of 1.52 suggests that, on average, the firms in the study experienced a slightly negative return on their assets during the period under analysis. the standard deviation of 1.52 suggests that there is significant variation in ROA across the sample of firms. Some firms may have experienced positive ROA, while others may have experienced more significant losses.

The leverage data reveal that the mean is 0.71 with a standard deviation of 0.23. The mean leverage of 0.71 suggests that, on average, the firms in the sample have a higher level of debt financing relative to their equity financing. This means that these firms rely more heavily on debt to finance their operations and investments. The standard deviation of 0.23 indicates that the leverage ratios of individual firms in the sample vary quite widely around the mean.

The mean of inflation over the 12 year period is 0.12 with SD of 0.03. The mean inflation rate of 0.12 with a standard deviation of 0.03 over a 12-year period implies that, on average, prices in the economy increased by 12% per year over the 12-year period. The standard deviation of 0.03 suggests that there was some variability in the inflation rate from year to year. Specifically, the annual inflation rate varied around the mean by an average of 3 percentage points.

4.3 Correlation Matrix

Table 4.2 shows that the highest correlation among the independent variables is between firm size and corporate social responsibility at 58 per cent. Also, the VIF data shows that the figures are below 5 indicating that there is no multicollinearity in the data.

Table 4.2: Correlation matrix

	DP	CSR	Size	Prof	Lev	Age	Infl	VIF
DP	1.000							
CSR	0.251	1.000						1.57
Size	0.198	0.577	1.000					1.53
Prof	0.098	0.082	0.089	1.000				1.03
Lev	-0.202	0.225	0.199	-0.095	1.000			1.09
Age	0.252	0.208	0.178	0.012	-0.033	1.000		1.06
Infl	0.072	-0.006	-0.056	0.034	-0.013	-0.035	1.000	1.01

Source: Authors Construct (2022), DP: dividend policy, CSR: corporate social responsibility, prof: profitability, Lev: leverage, Infl: inflation, VIF: variance inflation factor

4.4 Diagnostic Test

The data in Table 4.3 shows that data is free from autocorrelation and heteroskedasticity. First the p-value for the Wooldridge test shows a p-value of 0.11 indicating the acceptance of the null hypothesis that the data is free from first- order autocorrelation. Also, the Breusch-Pagan / Cook-Weisberg test shows a p-value of 0.19 indicating homoskedasticity.

Table 4.3: Diagnostic test

	Autocorrelation	Heteroskedasticity
stat	2.849	1.74
p-value	0.11	0.19

Source: Authors Construct (2022)

4.5 Regression Results and Discussion

The results of the study are presented in this section in accordance with the objectives of the study.

4.6 Effect of Corporate Social Responsibility on Dividend Policy

The Wald chi2 is significant at the 1 per cent level according to Table 4.4. The data shows that CSR has a positive coefficient (0.0667). This means that there is positive relationship between CSR and dividend policy. Also, CSR has p-value of 0.00. This shows that the relationship is significant. The finding means that CSR has a significant positive effect on dividend policy. Recent studies such as Sheikh, Bhutta, Rehman, Bazil, and Hassan (2021) and Salah and Amar (2022) came to same conclusion.

Table 4.4: CSR and dividend policy

	Coef.	Std. Err.	t-stat	P-value
CSR	0.0667065	0.0062113	10.74	0.00***
Age	0.0084123	0.0017655	4.76	0.00***
Profitability	5.0331270	0.3478851	14.47	0.00***
Leverage	0.2489140	0.1961433	1.27	0.20
Inflation	3.2985310	0.8060833	4.09	0.00***
Constant	-1.1719670	0.1965650	-5.96	0.00***
Wald chi2	437.5			
Observation	275			

Source: Authors Construct (2022), CSR: corporate social responsibility, ***:1% significance level.

The finding is explained by the fact that companies that engage in CSR activities often have strong, sustainable business models and strong financial performance, which can make them more attractive to investors. This, in turn, can lead to increased investor demand for the company's stock, which can drive up the stock price and increase the company's financial flexibility to pay higher dividends.

Moreover, companies with a strong commitment to CSR are often seen as responsible and ethical companies that prioritize the well-being of their stakeholders. This can lead to increased trust and support from shareholders, which can help the company maintain a stable and sustainable dividend policy.

The finding also supports the agency theory. Agency theory suggests that the interests of shareholders (the principals) and managers (the agents) can be misaligned. Managers may engage in activities that benefit themselves at the expense of shareholders, such as spending company resources on perks or pursuing growth at the expense of profits. CSR activities can help mitigate this agency problem by aligning the interests of managers and shareholders. By engaging in CSR activities, managers signal to shareholders that they are committed to running the company in an ethical and responsible manner, which can increase trust and reduce the agency problem. This, in turn, can increase the financial performance of the company and make it more attractive to investors, leading to a positive relationship between CSR and dividend policy.

In addition, the stakeholder theory also supports the findings. Stakeholder theory suggests that companies have a responsibility to balance the interests of all their stakeholders, including shareholders, employees, customers, suppliers, and the community. By engaging in CSR activities, companies can demonstrate their commitment to balancing the interests of all stakeholders and creating value for the wider community, which can increase the financial performance of the company and support a positive dividend policy.

4.7 Effect of Firm Size on Dividend Policy

The Wald chi2 is significant at the 1 per cent level according to Table 4.5. The data shows that firm size has a positive coefficient (0.0722). This means that there is positive relationship between firm size and dividend policy. Also, firm size has pvalue of 0.00. This shows that the relationship is significant. The finding means that firm size has a significant positive effect on dividend policy. The finding confirms the studies of Morakinyo et al (2018) and Adu-Boanyan et al (2013).

Table 4.5: Firm size and dividend policy

	Coef.	Std. Err.	t-stat	P-value
Size	0.072262	0.0191394	3.78	0.00
Age	0.0105188	0.0017804	5.91	0.00
Profitability	5.132442	0.3554497	14.44	0.00
Leverage	0.4505308	0.1952748	2.31	0.02
Inflation	3.513827	0.7923534	4.43	0.00
Constant	-2.390808	0.3752042	-6.37	0.00
Wald chi2	335.51			
Observation	275			

Source: Authors Construct (2022), CSR: corporate social responsibility, ***:1% significance level.

The finding is explained by the fact that larger firms generally have a more stable financial position and a stronger ability to generate consistent profits. This stability gives them more financial flexibility to pay dividends to shareholders without putting the company's financial stability at risk. Also, larger firms often have a more diversified revenue stream, which makes them less reliant on any one source of income. This reduces the risk of a downturn in any one area affecting the company's ability to pay dividends. This diversification can also help to smooth out fluctuations in earnings, making it easier for the company to maintain a consistent dividend policy.

Further, investors in larger firms often have different expectations than those in smaller firms. Larger firms may be expected to pay dividends as a signal of their stability and financial performance, while smaller firms may be expected to reinvest earnings to support growth. By paying dividends, larger firms can signal to investors that they are financially stable and committed to returning value to shareholders.

The agency theory supports this finding by suggesting that larger firms are better equipped to mitigate the agency problem, align the interests of management and shareholders, and signal to shareholders that management is committed to sharing profits with them. By paying dividends, larger firms can signal to shareholders that management is committed to aligning their interests with those of shareholders, as the payment of dividends shows that management is willing to share profits with shareholders. This can help to mitigate the agency problem by reducing the incentive for management to retain earnings, as well as increasing the accountability of management to shareholders.

4.8 Moderating Role of Firm Size between Corporate Social Responsibility and Dividend Policy

The Wald chi2 is significant at the 1 per cent level according to Table 4.6. The data shows that the interaction between CSR and firm size has a positive coefficient (0.0067). This means that there is a positive moderation effect. Also the p-value of interaction between CSR and firm size is 0.02. This shows that the relationship is significant. The finding means that firm size positively moderates the relationship between CSR and dividend policy. Similar results were obtained by Siam, Islam, Nassar, Jebreel, and ALMahadin (2021).

Table 4.6: CSR, firm size and dividend policy

DPP	Coef.	Std. Err.	t-stat	P-value
CSR	-0.0689689	0.0587668	-1.17	0.24
Size	-0.0228496	0.0236652	-0.97	0.33
CSR* Size	0.0067122	0.0029055	2.31	0.02**
Age	0.0082759	0.0017833	4.64	0.00***
Profitability	4.980115	0.3542664	14.06	0.00***
Leverage	0.1233488	0.2042613	0.6	0.55
Inflation	3.319498	0.8085961	4.11	0.00***
Constant	-0.6416557	0.4745483	-1.35	0.18
Wald chi2	447.63			
Observation	275			

Source: Authors Construct (2022), CSR: corporate social responsibility, ***:1% significance level, **:5% significance level.

The finding is explained by the fact that larger firms generally have more resources, including financial, human, and technological, which can make it easier for them to pursue both a favourable dividend policy and a robust CSR program. For example, they may be able to allocate more resources to CSR initiatives and still have enough left over to pay dividends to shareholders. Also, Larger firms often have a more established brand reputation, which can make it more important for them to maintain a favourable dividend policy and a commitment to CSR. For example, they may be more likely to be held accountable by stakeholders and the media, which can make it more important for them to maintain a favourable dividend policy and a commitment to CSR activities.

The finding supports the legitimacy theory. Legitimacy theory suggests that firms engage in CSR activities in order to enhance their legitimacy and reputation, and to gain support from stakeholders for a favourable dividend policy. According to legitimacy theory, larger firms may have a greater capacity to engage in CSR activities, which can enhance their reputation and legitimacy, and increase stakeholder support for a favourable dividend policy.

CHAPTER FIVE SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides an overview of the study project and summarizes the findings, drawing conclusions and making recommendations.

5.2 Summary of Findings

The study found that CSR had a significant positive effect on dividend policy. This suggests that the increase in CSR activities drives an increase in dividend payments. Also, the study found that firm size had a significant positive effect on dividend policy. This suggests that an increase in firm size leads to an increase in dividend policy. Finally the study that firm size positively moderates the relationship between CSR and dividend policy suggesting that firm size strengthened the relationship between CSR and dividend policy.

5.3 Conclusion

This study examined the effect of CSR on dividend policy of listed firms in Ghana using firm size as a moderator. The study design was quantitative since the data for the study was numerical in nature. The study covered firms listed on the Ghana stock exchange. The period of the data span from 2010 to 2021. The study sampled 24 firms listed on the Ghana stock exchange. The data was analysed using probit regression. The study found that CSR increases dividend policy because companies that invest in CSR initiatives may see an increase in profitability and growth, which can result in higher dividends for shareholders. Also, it was discovered that firms increases dividend policy because larger firms often have better access to capital and more resources to fund their operations, which can make it easier for them to pay dividends without putting the company's financial stability at risk. The study also discovered that firm size strengthened the relationship between CSR and dividend policy because larger firms generally have a more stable financial position, which can help to support a more favourable dividend policy and a stronger commitment to CSR.

5.4 Recommendation

It is recommended that policy makers should encourage companies to prioritize both CSR and dividend policy by creating an enabling business environment and providing incentives for responsible business practices. This may involve implementing regulations and policies that promote sustainable business practices and rewarding companies that have a strong commitment to CSR.

It is recommended that firms should prioritize both CSR and dividend policy in order to reap the benefits of both and maintain a strong, sustainable business. This may involve regularly reviewing and adjusting their CSR initiatives and dividend policies, and considering the needs and expectations of stakeholders. Firms can also use CSR to build their reputation and attract investors, which can positively impact their financial performance.

It is recommended that managers should be aware of the relationship between firm size and dividend policy, and make decisions related to dividends in a way that is consistent with the company's size and overall financial position. They should also regularly review and adjust the company's dividend policy as the firm grows and evolves, in order to ensure that it remains in line with the company's goals and the needs of stakeholder

Management consultants should be aware of the relationship between firm size and CSR when advising clients. Consultants should consider the size of a company when developing recommendations for CSR initiatives and should take into account the company's ability to invest in comprehensive programs or targeted initiatives.

5.5 Recommendation for Further Studies

Further studies can research on CSR and earnings management. Also, future researchers can explore on other moderating variables on the topic.

REFERENCE

Abdullahi, N.A., Adebayo, P.A. and Aliyu, Y.M., 2020. Determinants of dividend policy of listed deposit money banks in Nigeria. *International Journal of Economics, Commerce and Management*, *8*(8), pp.282-299.

Adinata, G., 2019. CSR expenditures, financial distress prediction, and firm reputation: A pathway analysis. *Perspektif Akuntansi*, *2*(1), pp.1-18.

Adiputra, I.G. and Hermawan, A., 2020. The effect of corporate social responsibility, firm size, dividend policy and liquidity on firm value: Evidence from manufacturing companies in Indonesia. *International Journal of Innovation, Creativity and Change*, *11*(6), pp.325-338.

Agyei, S.K. and Marfo-Yiadom, E., 2011. Dividend policy and bank performance in Ghana. *International Journal of Economics and finance*, *3*(4), pp.202207.

Agyemang, O.S. and Ansong, A., 2017. Corporate social responsibility and firm performance of Ghanaian SMEs: Mediating role of access to capital and firm reputation. *Journal of Global Responsibility*.

Ain, Q.U. and Manping, T., 2022. Determinants of Dividend Policy of NonFinancial Publicly Traded Firms: A Review. *Journal of Advanced Research in Economics and Administrative Sciences*, *3*(2), pp.95-112.

Ansar, I., Butt, A.A. and Shah, S.B.H., 2015. Impact of dividend policy on shareholder's wealth. *International Review of Management and Business Research*, *4*(1), p.89.

Arif, A. and Akbarshah, F., 2013. Determinants of dividend policy: a sectoral analysis from Pakistan. *International Journal of Business and Behavioral Sciences*, *3*(9), pp.16-33.

Badru, B.O. and Qasem, A., 2021. Corporate social responsibility and dividend payments in the Malaysian capital market: The interacting effect of familycontrolled companies. *Journal of Sustainable Finance & Investment*, pp.1-
24.

Baker, H.K. and Weigand, R., 2015. Corporate dividend policy revisited. *Managerial Finance*.

Benlemlih, M., 2019. Corporate social responsibility and dividend policy. *Research in International Business and Finance*, *47*, pp.114-138.

Benlemlih, M., 2019. Corporate social responsibility and dividend policy. *Research in International Business and Finance*, *47*, pp.114-138.

Bianchi, E., Bruno, J.M. and Sarabia-Sanchez, F.J., 2019. The impact of perceived CSR on corporate reputation and purchase intention. *European journal of management and business economics*.

Booth, L. and Zhou, J., 2017. Dividend policy: A selective review of results from around the world. *Global Finance Journal*, *34*, pp.1-15.

Boubaker, S., Cellier, A., Manita, R. and Saeed, A., 2020. Does corporate social responsibility reduce financial distress risk?. *Economic Modelling*, *91*, pp.835-851.

Caputo, F., 2020. Towards a holistic view of corporate social responsibility. The antecedent role of information asymmetry and cognitive distance.
Kybernetes.

Cheung, A., 2016. Corporate social responsibility and corporate cash holdings. *Journal of Corporate Finance*.

Cho, S.J., Chung, C.Y. and Young, J., 2019. Study on the Relationship between CSR and Financial Performance. *Sustainability*, *11*(2), p.343.

Cho, S.J., Chung, C.Y. and Young, J., 2019. Study on the Relationship between CSR and Financial Performance. *Sustainability*, *11*(2), p.343.

Choi, M., Overton, H. and McKeever, R., 2018. When organizational advocacy and public advocacy intersect in CSR: Examining stage of partnership and activism in CSR partnerships. *The Journal of Public Interest Communications*, *2*(2), pp.264-264.

Crane, A. and Matten, D., 2021. COVID-19 and the future of CSR research. *Journal of Management Studies*, *58*(1), p.280.

Cristea, C. and Cristea, M., 2017. Determinants of corporate dividend policy: evidence from romanian listed companies. In *MATEC Web of Conferences* (Vol. 126, p. 04009). EDP Sciences.

Croissant, Y. and Millo, G., 2018. *Panel data econometrics with R*. John Wiley & Sons.

D'Amato, A. and Falivena, C., 2020. Corporate social responsibility and firm value: Do firm size and age matter? Empirical evidence from European listed companies. *Corporate Social Responsibility and Environmental Management*, *27*(2), pp.909-924.

Dewasiri, N.J. and Abeysekera, N., 2022. Corporate social responsibility and dividend policy in Sri Lankan firms: A data triangulation approach. *Journal of Public Affairs*, *22*(1), p.e2283.

Dewasiri, N.J., Koralalage, W.B.Y., Azeez, A.A., Jayarathne, P.G.S.A., Kuruppuarachchi, D. and Weerasinghe, V.A., 2019. Determinants of dividend policy: evidence from an emerging and developing market. *Managerial Finance*.

Dewasiri, N.J., Koralalage, W.B.Y., Azeez, A.A., Jayarathne, P.G.S.A., Kuruppuarachchi, D. and Weerasinghe, V.A., 2019. Determinants of dividend policy: evidence from an emerging and developing market. *Managerial Finance*.

Famiyeh, S., 2017. Corporate social responsibility and firm's performance: empirical evidence. *Social Responsibility Journal*.

Filipović, D. and Willems, S., 2020. A term structure model for dividends and interest rates. *Mathematical Finance*, *30*(4), pp.1461-1496.

Freeman, R.E., 1984. A stakeholder theory of the modern corporation. *Perspectives in Business Ethics Sie*, *3*(144), pp.38-48.

García-Sánchez, I.M., Hussain, N., Martínez-Ferrero, J. and Ruiz-Barbadillo, E., 2019. Impact of disclosure and assurance quality of corporate sustainability reports on access to finance. *Corporate Social Responsibility and Environmental Management*, *26*(4), pp.832-848.

Gatsi, J.G., Anipa, C.A.A., Gadzo, S.G. and Ameyibor, J., 2016. Corporate social responsibility, risk factor and financial performance of listed firms in Ghana. *Journal of Applied Finance and Banking*, *6*(2), p.21.

Goss, A. and Roberts, G.S., 2011. The impact of corporate social responsibility on the cost of bank loans. *Journal of Banking & Finance*, *35*(7), pp.1794-1810.

Hartono, P.G., Sari, W.R., Tinungki, G.M., Jakaria, J. and Hartono, A.B., 2021. The Determinants of Dividend Policy: An Empirical Study of Inconsistent Distribution of Dividends Using Balanced Panel Data Analysis. *Media Ekonomi dan Manajemen*, *36*(2), pp.89-106.

Huerga, A. and Rodríguez-Monroy, C., 2018, July. Scrip Dividends and Share Buyback Strategies Based on Volatility. In *International Conference on Industrial Engineering and Operations Management* (pp. 29-35). Springer, Cham.

Jo, H. and Na, H., 2012. Does CSR reduce firm risk? Evidence from controversial industry sectors. *Journal of business ethics*, *110*(4), pp.441-456.

Jovković, B., Vasić, A.S. and Bogićević, J., 2021. Determinants of Dividend Policy: A Case of Serbia's Banking Sector. *Naše gospodarstvo/Our economy*, *67*(1), pp.13-22.

Juhandi, N., Fahlevi, M., Abdi, M.N. and Noviantoro, R., 2019, October. Liquidity, Firm Size and Dividend Policy to the Value of the Firm (Study in Manufacturing Sector Companies Listed on Indonesia Stock Exchange). In *2019 International Conference on Organizational Innovation (ICOI 2019)* (pp. 313-317). Atlantis Press.

Kadim, A., Sunardi, N. and Husain, T., 2020. The modeling firm's value based on financial ratios, intellectual capital and dividend policy. *Accounting*, *6*(5), pp.859-870.

Maqbool, Z., Abid, A. and Bhutta, A.I., 2022. Effect of corporate social responsibility performance on dividend pay-out: Role of corporate governance quality. *Frontiers in Psychology*, *13*.

McGuinness, P.B., Vieito, J.P. and Wang, M., 2017. The role of board gender and foreign ownership in the CSR performance of Chinese listed firms. *Journal of Corporate Finance*, *42*, pp.75-99.

Moon, J. and Knudsen, J.S., 2018, July. Corporate social responsibility and government. In *Academy of management proceedings* (Vol. 2018, No. 1, p. 12777). Briarcliff Manor, NY 10510: Academy of Management.

Nugraha, N.M., Johanes, S.R. and Hendiarto, R.S., 2021. The Effect Of Institutional Ownership, Managerial Ownership, And Company Size To Dividend Policy. *INTERNATIONAL JOURNAL OF TRENDS IN ACCOUNTING RESEARCH*, *2*(1), pp.87-96.

Nurchaqiqi, R. and Suryarini, T., 2018. The effect of leverage and liquidity on cash dividend policy with profitability as moderator moderating. *Accounting Analysis Journal*, *7*(1), pp.10-16.

Pattiruhu, J.R. and Paais, M., 2020. Effect of liquidity, profitability, leverage, and firm size on dividend policy. *The Journal of Asian Finance, Economics and Business*, *7*(10), pp.35-42.

Rahi, S., 2017. Research design and methods: A systematic review of research paradigms, sampling issues and instruments development. *International Journal of Economics & Management Sciences*, *6*(2), pp.1-5.

Rasyid, H.F., Sudarto, S. and Najmudin, N., 2020. CAN COMPANY SIZE MODERATE CORPORATE SOCIAL RESPONSIBILITY TO DIVIDEND POLICY?. *ICORE*, *5*(1).

Rhou, Y., Singal, M. and Koh, Y., 2016. CSR and financial performance: The role of CSR awareness in the restaurant industry. *International Journal of Hospitality Management*, *57*, pp.30-39.

Salah, O.B. and Amar, A.B., 2022. Does corporate social responsibility affect dividend policy? Empirical evidence in the French context. *Journal of Global Responsibility*.

Sallehhuddin, A., Keong, T.B. and Yatim, N.M., 2022. The effect of corporate social responsibility on Malaysian financial institutions' dividend payout. *F1000Research*, *11*(47), p.47.

Sallehhuddin, A., Keong, T.B. and Yatim, N.M., 2022. The effect of corporate social responsibility on Malaysian financial institutions' dividend payout. *F1000Research*, *11*(47), p.47.

Salman, A., 2019. Determinants of dividend policy. *Investment management and financial innovations*, (16, Iss. 1), pp.167-177.

Samet, M. and Jarboui, A., 2017. Corporate social responsibility and payout decisions. *Managerial Finance*.

Sheikh, M.F., Bhutta, A.I., Rehman, B., Bazil, M. and Hassan, A., 2021. Corporate social responsibility and dividend policy: a strategic choice in family firms. *Journal of Family Business Management*.

Sheikh, S., 2020. Corporate social responsibility and corporate payout policy: the impact of product market competition. *International Journal of Managerial Finance*.

Siam, Y.A., Islam, A.R., Nassar, M., Jebreel, M. and ALMahadin, H., 2021. Corporate social responsibility and dividend policy in jordan: Advent of firm size as a moderator. *Journal of Legal, Ethical and Regulatory Issues*, *24*, pp.1-9.

Thijssens, T., Bollen, L. and Hassink, H., 2015. Secondary stakeholder influence on CSR disclosure: An application of stakeholder salience theory. *Journal of Business Ethics*, *132*(4), pp.873-891.

Tien, N.H. and Hung Anh, D.B., 2018. Gaining competitive advantage from CSR policy change: case of foreign corporations in Vietnam. *Polish Journal of Management Studies*, *18*.