

Received: December 2023 Accepted: January 2024

DOI: 10.53555/ks.v12i2.2753

Impact of Corporate Governance and Corporate Social Responsibility on Dividend Payout: Mediating role of Accounting Conservatism

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Abstract

The study aims to explore the subtle dynamics between these elements and their impact on financial results. Using a large dataset from a variety of asset management companies and brokerage houses, the study examines how corporate governance practices—such as board composition, CEO remuneration, and shareholder rights—affect dividend distribution choices. Additionally, the research assesses how these financial organizations' dividend policies are affected by CSR initiatives. Examining accounting conservatism's mediating function in this relationship is one of the main points of emphasis. It is hypothesized that the relationship between corporate governance, CSR initiatives, and dividend payout decisions is moderated by accounting conservatism, which is typified by careful financial reporting practices. Quantitative analysis is used in the research process, and sophisticated statistical methods like structural equation modelling and regression analysis are employed. This makes it possible to examine both direct and indirect impacts while adjusting for possible confounding factors. The study's conclusions should highlight the complex interactions among accounting conservatism, corporate governance, CSR, and dividend payment choices in the finance industry. These findings have ramifications for strategic financial management since they highlight how crucial strong governance frameworks and socially conscious behavior are to determining dividend policy and financial outcomes. Overall, by providing increased awareness of the mechanisms guiding dividend payment decisions in brokerage houses and asset management organizations, this research adds to the body of knowledge already in existence and helps stakeholders make decisions that will lead to sustainable financial outcomes.

Keywords: Corporate Governance, Corporate Social Responsibility, Dividend Payout, Accounting Conservatism

Introduction

Corporate governance is the arrangements and procedures by firms to control and manage activities efficiently. The mechanism known as CG is a link to close the gap created by the conflict of interest between owners and managers, who are the principals and agents. Otherwise, this battle may be lethal for any firm, small or big, like a giant. So, CG is the solution to agency problems in organizations because it is the set of guidelines, rules, and strategies that help managers consider their responsibilities to reduce the conflict between managers and

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shareholders (Su & Daspit, 2022; Monks & Minow, 2011). Without effective governance, management cannot get good relations with shareholders (Lavelle, 2002). Several researchers concluded that a sound CG system is essential for firms' progress, and poor CG destroyed many firms worldwide (Gold & Taib, 2023; Shehzad & Haan, 2015). Efficient governance of firms attracts investors in the capital markets, and investors rank the firm for investment opportunities.

Earlier, several studies have explained that dividend payout causes cash outflow and decreases free cash flow. In the literature reward that receives financier the firms out of profit is known as a dividend. Companies' share value declines if they don't pay dividends, although this doesn't happen occasionally. Black (1976) worked on corporate finance and found that dividend policy is very puzzling in corporate finance economics. Managers of the firms have more information about current and future cash flow than anybody outside the organization, so they signal investors about the cash flow information (Ding & Shahzad, 2022). Hypothesis relating to free cash flow claims that firm value increases if managers who are over-investing, not investing in the projects, have negative NPV but pay out more of the cash flow as dividends to members of the firms. The abnormal returns are the cash flow signaling hypothesis regardless of the investment opportunity. Change in the dividend percentage as compared to last year affects the firms' share price in the capital market.

The worldwide movement towards sustainability, ethical company practices, and equitable and inclusive economic growth is elevating the importance of CSR and good corporate governance. Companies risk becoming irrelevant if they don't recognize and respond to these worldwide trends. Still, businesses may stand to gain an edge in the marketplace if they consciously coordinate their CSR initiatives and governance structures with these worldwide trends. According to Ya et al. (2022), when people have similar interests, it's much easier to build trust and loyalty. In the ever-changing world of new markets and worldwide trends, it's possible that academic study alone won't be enough to fill in the research gap. Given the linked nature of the modern world, this goal is of strategic importance for achieving sustainable development and long-term success (Anon, 2022).

The formulation of the research problem statement serves as the foundational cornerstone for the development of the study's approach. The present study effectively establishes the challenge or problem it aims to address, providing a solid foundation for subsequent inquiry. Accounting conservatism (AC), corporate social responsibility (CSR), and corporate governance (CG) influence dividend distribution strategies, according to this thesis's issue statement. In order to shed light on the intricate interaction of many factors, it is important to describe the issue in terms of emerging economies. Filling up the current knowledge gaps is the primary goal of this effort. Supplying useful information that may aid in guiding corporate decision-making is the goal.

Studying the link between corporate governance, CSR, AC, and dividend payment aims to determine the degree to which CG and CSR effect payout and if AC mediates this relationship. The purpose of this research is to understand how AC plays a role in the connection among CSR, corporate governance, and dividend payment, as well as to examine the impact of CG and CSR on payouts apart from AC. Financial and accounting professionals spend a lot of time talking about CG and CSR in the research. The dividend payment of a firm might be affected by both of these notions. Companies have a responsibility to act ethically and responsibly toward society as a whole, which is known as corporate social responsibility (CSR). Corporate governance (CG) is the set of rules, practices, and regulations that regulate how a corporation

is run. Investigating the role of AC as a mediator between corporate governance, CSR, and dividend distribution is another important topic of study. Businesses are required to plan ahead for potential losses according to AC, a basic principle of accounting. The idea is that businesses should be more careful while reaping benefits and should admit defeat quickly.

CG and CSR's effects on dividend payment could be affected by AC. This is due to the fact that AC alters a company's reporting of profitability, which in turn affects the amount of money available for dividend payments. Consequently, studying how AC mediates the connection between CSR, dividend distribution, and corporate governance is an important area of study.

This study adds to the body of knowledge on the subject that examines the impact of governance methods. With varying degrees of conservatism in reporting the accounting records, the processes are placed in the businesses. This study has repercussions for South Asia's developing economy.

Literature Review

Corporate social responsibility has lately garnered a lot of attention, and it's an essential part of how businesses function. Companies have a responsibility to their stakeholders—including workers, customers, suppliers, the community, and the environment—to behave in a manner that takes their interests into account when making decisions. This is known as corporate social responsibility (CSR). Companies should use caution while recording profits and losses, according to the AC principle of financial reporting. The connection between CSR and AC is going to be the focus of this paper. It seems that companies who participate in CSR initiatives tend to be more cautious when it comes to disclosing their financial information. The cost of capital might go down when investors see CSR as less risky, says Ball et al. (2003). Companies with a strong CSR program may be seen as safer investments by investors. They are thought of as being more conscientious of society and less prone to reckless actions that can damage their standing. A more cautious approach to financial reporting may follow as a consequence of a decrease in the firm's cost of capital.

Several theoretical frameworks have been proposed to elucidate the mutually beneficial connection between CSR and AC. Famous models abound, but one that stands out is the stakeholder theory, which posits that ethical companies are more inclined to think about the big picture and balance the needs of many groups: shareholders, customers, workers, and the environment. As businesses focus on sustainable growth and risk management over short-term advantages, this long-term approach may result in more conservative financial reporting practices (Hussainey et al., 2013). The signaling hypothesis is another theoretical framework that has been put out, and it contends that businesses engage in CSR activities to show investors that they are dedicated to long-term value development and risk management. According to Xie et al. (2008), this signal can make investors feel less risky, which lowers the cost of capital and encourages a more cautious approach to financial reporting. The moderating impact of institutional factors on the link between CSR and AC has also been examined in empirical investigations. For instance, Kim et al. (2014) discovered that the positive connection between CSR and AC is larger in nations with more solid legal and regulatory frameworks, showing that institutional variables can increase the effectiveness of CSR in promoting conservative financial reporting practices.

The empirical data ultimately shows a positive correlation between CSR and AC. The long-term perspective, risk management emphasis, and signal that CSR initiatives send to investors

drive this connection for socially responsible businesses. Institutional variables, including legal and regulatory frameworks, can strengthen CSR's ability to encourage conservative financial reporting practices. Moreover, evidence points to a beneficial association between CSR and the AC of firms, suggesting that taking part in CSR activities may be perceived by investors as less risky, resulting in a lower cost of capital and a more conservative approach to financial reporting. Furthermore, companies with a long-term outlook and those operating in highly regulated sectors may be more inclined to be conservative in their financial reporting if they engage in CSR.

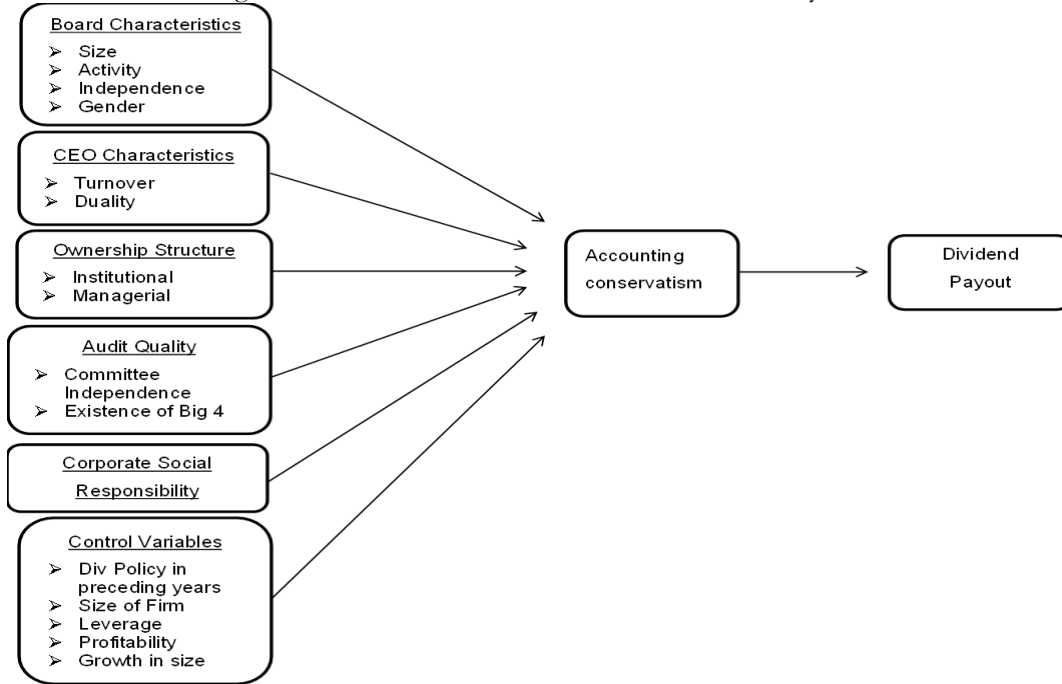
According to several studies, strong CG may result in more dividend distributions. As an illustration, Agrawal and Knoeber (1996) found that independent boards of directors are likelier than non-independent ones to give out high dividends. Similar findings were made by Black et al. (2006), who found that firms with strong shareholder rights paid higher dividends. However, numerous researches have not discovered any link between CG and dividend payout. For instance, Hossain and Reaz (2016) discovered no appreciable correlation between Bangladesh's CG and dividend distribution. Bhattacharya et al. (2018) also discovered that CG has a negligible impact on dividend payout in India.

CG and CSR have significant roles in determining dividend distribution. However, AC, a financial reporting discipline that compels businesses to be cautious in recording earnings and losses, may mediate the relationship between these characteristics and dividend payout. The mediating function of AC in the connection between CG, CSR and dividend distribution has been studied in many research. For instance, Liu et al. (2020) discovered that AC mediates the relationship between CSR and dividend payout in the Chinese market to a certain extent. They contend that CSR activity improves the accuracy of financial reporting, which raises AC and, thus, dividend distributions. Ahmad et al. (2021) state that AC partially mediates the Malaysian market's CG and dividend distribution relationship. They contend that effective CG procedures boost AC, which raises dividend distributions and improves the accuracy of financial reporting.

The literature research provides more insight into the significant influence of technology on the development of corporate governance (CG), corporate social responsibility (CSR), and dividend policies. The advent of digital platforms and data analytics has provided companies with enhanced capacities to monitor and document their corporate social responsibility (CSR) initiatives. The emergence of technological advancements has resulted in a heightened degree of transparency, facilitating the active observation and evaluation of corporate actions by stakeholders in a real-time manner. According to El Ghouli et al. (2019), this mechanism allows stakeholders to hold these corporations accountable for their conduct. (El Ghouli, et al., 2019). Furthermore, the advent of the internet has given rise to a fresh surge of investor activism, whereby shareholders employ this platform to express their viewpoints and exercise their influence on corporate choices, including those related to dividend policy (Etter & Colleoni, 2019). The incorporation of digital technology into the dynamic realm of corporate governance (CG) and corporate social responsibility (CSR) has sparked a transformative change towards heightened corporate accountability and engagement with stakeholders. In order to effectively traverse the current business landscape, it is crucial for companies to actively engage in ongoing adaptation and utilize the extensive body of literature available to get new insights (Etter & Colleoni, 2019).

The Study's Theoretical Framework

The above literature guides this theoretical framework for a research study.



Research Methodology

The emerging economies have been selected from South Asia, which are Pakistan, India and Bangladesh and these economies are lower-income economies. Afterwards, the companies from non-financial sector of these economies have been selected for analysis purpose. At the first step all the companies from non-financial sectors have been taken into account for which data was available on workspace.refinitiv.com. However, the data for corporate governance for some companies have been collected from annual reports. After words, some companies have to be eliminated, which had no complete data for all variables used in the study. After trimming the data, the total 495 companies listed on stock exchanges of the selected emerging economies are the part of the research. Moreover, only such companies are the part of analysis, which are paying dividend as dependent variable of the study is dividend payout ratio.

The number of firms from each country that were chosen for analysis is displayed in the following table 1. The information regarding the total number of listed firms has been obtained from Global Economy.com. The study sample consists of the top-ranked businesses based on size and data accessibility.

Table 1: Selection of Companies.

S. No.	Country	Stock Exchange	Listed Companies	Weights	Sample out of 338	Selected Sample companies
1	Bangladesh	Dhaka Stock Exchange	321	15%	51	97
2	Pakistan	Pakistan Stock Exchange	546	26%	87	195
3	India	National Stock Exchange of India	1300	59%	200	203
Total			2167	100%	338	495

Source: Data Collected for the Study.

By following Yamane (1967) and Mutambayi, Azeez, Takatshana, and Mjoli (2019), the sample size has been calculated at a 95% level of confidence (Significance level 5%).

However, to accurately reflect the population, the study employed a sample size, i.e., 495. Moreover, the selection of the companies from each selected emerging economy is reported in Table 3.1. By following Yamane (1969) and Mutambayi, Azeez, Takatshana, and Mjoli (2019), the results suggested selecting the sample size of 338 companies from all three emerging economies. The proportion of sample size is suggested as 15%, 26%, and 59% in the case of Bangladesh, Pakistan, and India, respectively. Therefore, the suggested sample size in the case of Bangladesh is 51, in the context of Pakistan is 87, and in the scenario of India is 200. However, in the study, the data was collected from 495 firms to represent the population's accurate representation. In the case of Bangladesh, the sample size is 97; in the context of Pakistan sample size is 195; in the Indian scenario sample size is 203. The top-ranked companies, based on the size and availability of the data, have been selected from each economy (Pakistan, India and Bangladesh).

The data for 495 companies have been gathered from workspace. The time period of the data is for 10 years from 2012 to 2022. The data for each country has been used. Therefore, panel data has been used in the study. Moreover, the data of corporate governance of some companies have been gathered from annual report for which data was not available on Refinitiv database.

The primary goal of this research is to examine how conservative accounting practices related to corporate social responsibility affect dividend payouts. The following statistical models are the part of the study, which have been used to test the hypotheses.

The three-step process outlined by Barron and Kenny (1986) has been used to determine the impact of accounting conservatism (AC) as a mediator between corporate social responsibility (CSR), corporate governance, and the dividend payout ratio.

The following Table 2 disclose the measurement of all variables used in the study.

Table 2: Detail of Operationalization of Variables

S.No.	Variable	Abbreviation	Narration
Dependent Variable			
1	DP	Dividend Payout Ratio	• Dividend payment scaled by total earnings
Independent/Explanatory Variables			
2	CSR	Corporate Responsibility	• Social CSR score gathered from DataStream
Corporate Governance			
3	BST	Board Structure	Board size, Board independence, gender diversity and board activities measured by attendance of board of directors in meetings.
4	CEO	CEO characteristics	CEO duality, dummy variable 1 if Chairman of board is also CEO and otherwise 0
5	AudQ	Audit Quality	Audit committee independence
6	OwnST	Ownership Structure	%age of institutional ownership and managerial ownership
Mediator			
7	AC	Accounting Conservatism	
Control variables			
8	FS	Size of firm	Natural log (Total Assets)
9	Lev	Leverage	Debt to Total assets
10	SGrowth	Sale growth	Sale growth
11	Prof	Profitability	Return on Assets

In the study, panel data has been used by taking from 495 firms listed on three South Asian emerging economies' stock exchanges, Pakistan, India and Bangladesh. Afterwards, the following techniques have been applied to describe the data and to test the hypotheses.

Results and Interpretation

Correlation Analysis

Table 3: Correlation Analysis Combined Countries.

	DPO	CSR	BSIZE	BIND	GENDER	MEETING	DULITY	AUDITQ
DPO	1.000							
CSR	0.000	1.000						
BSIZE	0.007	0.027	1.000					
BIND	0.098	-0.016	0.413	1.000				
GENDER	-0.264	0.016	-0.032	-0.144	1.000			
MEETING	-0.019	-0.004	-0.119	-0.096	0.007	1.000		
DULITY	-0.048	0.003	0.027	0.077	0.026	-0.010	1.000	
AUDITQ	0.081	-0.048	0.180	0.298	-0.102	-0.051	0.058	1.000
	INSOWN	MOWN	ACON	FS	LEV	GROWTH	ROA	
INSOWN	1.000							
MOWN	0.083	1.000						
ACON	-0.002	-0.001	1.000					
FS	0.025	-0.086	-0.095	1.000				
LEV	-0.027	-0.057	0.072	-0.091	1.000			
GROWTH	0.002	-0.003	-0.023	0.109	-0.019	1.000		
ROA	-0.005	0.058	-0.005	-0.151	-0.035	0.003	1.000	

DPO=Dividend Payout Ratio, CSR=Corporate Social Responsibility, BSIZE=Board Size, BIND=Board Independence, Gender=Gender Diversity, Dulity=CEO Duality, AUDITQ=Audit Quality, INSOWN=Institutional Ownership, MOWN=Managerial Ownership, ACON=Accounting Conservatism, FS=Firm Size, LEV=Leverage, Growth=Sale Growth, ROA=Return on Assets

Table 3 is showing the results for co-efficient of correlations between the variables of companies listed in stock exchanges of Pakistan, India and Bangladesh. All factors show weak correlations to each other, according to the findings. Some variables are showing negative relationships and some are showing positive relationships to each other. In nutshell, all explanatory variables are expressing the weak correlations to each other, which is indication of no serious problem of multi-co-linearity and these all-independent variables may use for further analysis simultaneously.

Endogeneity Testing

The following table 4 is showing the results of the test of endogeneity, which have been obtained by applying Durbin-Wu-Test.

Table 4: Durbin-Wu-Test for Endogeneity.

By taking Residual (Reside) as Regressor in the Equation (DV=Residual)	
Co-efficient of IV	0.8416** (0.0112)

Note: DPO=Dividend Payout Ratio, ***P<0.01, **P<0.05, *P<0.1
Parenthesis are Showing P-Values (Significance).

The results of the Durbin-Wu-Test are depicting that explanatory variable has relationship with residual term obtained by regressing the whole model of the research (Ullah, Akhtar & Zaefarian, 2018). By following Winoki et al., (2012), first of all, DPO has been regressed on all variables and residual term has been obtained, which was further taken as dependent variable and was regressed on all independent variables. Many independent variables are showing significant impact on residual term, which shows the presence of endogeneity and confirms the application of Generalized method of moments.

Results for Generalized Method of Moments and by using Barron and Kenny

The following table 5 is representing the results for testing of hypothesis. Path-a is showing the effect of explanatory variables on mediator, Path-b is expressing the influence of accounting conservatism (Mediator) on dividend payout ratio (Dependent variables). Path-c is showing the effect of explanatory variables on dividend payout ratio. Therefore, by following the Barron and Kenny, (1986), the effect of Path-a, b and c has been tested and finally 4th step has been carried out to confirm the partial or full mediation of accounting conservatism between explanatory variables and dividend payout ratio.

Table 5: Results of GMM.

Variables	Path-a	Path-b	Path-c	4 th Step
Dependent Variables	ACON	DPO	DPO	DPO
DV (-1)	0.3310*** (0.0000)	0.3244*** (0.0000)	-0.2953*** (0.0000)	0.2087*** (0.0000)
BSIZE	-0.9798*** (0.0000)		0.0638*** (0.0000)	-0.0389*** (0.0000)
Meeting	1.3664*** (0.0000)		-0.0589*** (0.0000)	-0.0704*** (0.0000)
BIND	0.0646 (0.0000)		-0.2092*** (0.0000)	-0.0522*** (0.0000)
Duality	0.1475 (0.2230)		0.0290*** (0.0000)	-0.0771*** (0.0000)
INSOWN	0.0026*** (0.0000)		-0.0002*** (0.0000)	0.0288*** (0.0000)
MOWN	0.08262*** (0.0000)		-0.0089*** (0.0000)	0.0856*** (0.0000)
AUDITQ	0.01915*** (0.0000)		-0.0811*** (0.0000)	0.0027*** (0.0000)
CSR	0.0057*** (0.0000)		-0.0050*** (0.0000)	0.0006*** (0.0000)
ACON		-0.0819*** (0.0000)		-0.0836*** (0.0000)
FS	0.1478*** (0.0000)	-0.0161*** (0.0000)	0.0052*** (0.0000)	-0.0887*** (0.0000)
LEV	4.2650*** (0.0000)	-0.1533*** (0.0000)	-0.2191*** (0.0000)	-0.0456*** (0.0000)
GROWTH	0.7659*** (0.0000)	-0.0209*** (0.0000)	0.0167*** (0.0000)	0.0124*** (0.0000)
ROA	0.7659*** (0.0000)	-0.0023 (0.0000)	0.0032*** (0.0000)	-0.0088** (0.0000)
Constant	-2.7492*** (0.0000)	0.6086*** (0.0000)	0.3995*** (0.0000)	0.4865*** (0.0000)
AR (1)	3.1906 (0.0233)	-11.621*** (0.0000)	-10.836*** (0.0000)	-10.380** (0.0000)
AR (2)	-0.8198 (0.4123)	1.8717 (0.0613)	1.7519 (0.0798)	1.105 (0.2692)
No. of Instruments	406	361	496	451
Hansen J-Stat P-Value	392.677 (0.4666)	361.317 (0.3828)	425.864 (0.9663)	415.907 (0.7371)

DPO=Dividend Payout Ratio, CSR=Corporate Social Responsibility, BSIZE=Board Size, BIND=Board Independence, Gender=Gender Diversity, Duality=CEO Duality, AUDITQ=Audit Quality, INSOWN=Institutional Ownership, MOWN=Managerial Ownership, ACON=Accounting Conservatism, FS=Firm Size, LEV=Leverage, Growth=Sale Growth, ROA=Return on Assets.

In path-a, the results are indicating that board characteristics (Board size, board meetings, board independence) have significant influence on accounting conservatism as co-efficient of these characteristics are significant with p-value less than 0.05. These results are indicating that board characteristics are significant related with accounting conservatism (ACON) and first condition of mediating effect of accounting conservatism in relationship of board characteristics and dividend payout ratio is fulfilled.

Moreover, CEO duality is showing insignificant influence on accounting conservatism (ACON) as co-efficient of duality has p-value greater than 0.05. Therefore, first condition (Path-a) of the influence of CEO characteristic on accounting conservatism is not fulfilled. The results are further indicating that ownership structure (Institutional ownership and managerial ownership) showing the significant influence on accounting conservatism, therefore, the first condition of mediating role of accounting conservatism in relationship of ownership structure and dividend payout ratio is confirmed. The results of path-a also confirm the significant influence of audit quality and CSR on accounting conservatisms as co-efficient of both explanatory variables are insignificant with p-value greater than 0.05. It is further added that control variables are showing the significant influence on accounting conservatism (ACON).

In path-b, the results of GMM are indicating that accounting conservatism (ACON) has significant influence on dividend payout ratio as the co-efficient of ACON is significant with p-value less than 0.05. These results confirm the 2nd condition of mediating effect of accounting conservatism in relationship of board characteristics, CEO duality, ownership structure, audit quality and CSR with dividend payout ratio. Furthermore, these results also showing the acceptance of hypothesis H6: Accounting conservatism has a significant impact on dividend payout. The control variables are also showing the significant influence on dividend payout ratio.

In part c the results of GMM are showing that board characteristics (Board size, board meetings, board independence) have significant influence on dividend payout ratio. The co-efficients of all these board characteristics are significant influence with p-value less than 0.05 on dividend payout ratio. Moreover, other independent variables, audit quality, CEO duality, ownership structure and CSR also have significant influence on dividend payout ratio (DPO). These statistics confirm the acceptance of hypotheses No.1 to Hypotheses No.5.

Moreover, the results of path-a, b and c are showing that accounting conservatism has mediating role in relationship of all explanatory variables except CEO duality with dividend payout ratio. Now, the results of 4th step have been obtained to confirm the partial or full mediation of accounting conservatism in relationship of independent variables and dividend payout ratio.

From the results regarding Path-a, b and c, it is concluded that accounting conservatism mediates the relationship of board characteristics, Audit quality, ownership structure, CSR with dividend payout ratio, but is not playing mediating role in relationship between CEO duality and dividend payout ratio. Now, 4th model has been applied to check the status of full or partial mediation of accounting conservatism in these relationships. In the 4th step, the results are depicting that all board characteristics, audit quality, ownership structure and CSR have significant influence on dividend payout ratio and on other side accounting conservatism also has significant influence on dividend payout. Therefore, these results are showing that accounting conservatism (ACON) mediates partially in relationships of board characteristics, Audit quality, ownership structure, and CSR with dividend payout ratio (DPO). Table 6 is showing the summary of the status of the hypotheses.

Table 6: Summary Status of Hypotheses.

Hypotheses	Status
H1: Board characteristics have a significant impact on dividend payout.	Accepted
H2: CEO characteristics have a significant impact on dividend payout.	Accepted
H3: Ownership structure has a significant impact on dividend payout.	Accepted
H4: Audit quality has a significant impact on dividend payout.	Accepted
H5: CSR has a significant impact on dividend payout.	Accepted
H6: Accounting conservatism has a significant impact on dividend payout.	Accepted
H7: Accounting conservatism mediates the relationship between board characteristics and dividend payout.	Accepted
H8: Accounting conservatism mediates the relationship between CEO characteristics and dividend payout.	Not Accepted
H9: Accounting conservatism mediates the relationship between ownership structure and dividend payout.	Accepted
H10: Accounting conservatism mediates the relationship between audit quality and dividend payout.	Accepted
H11: Accounting conservatism mediates the relationship between CSR and dividend payout.	Accepted

Discussion and Conclusion

Discussion

The results are depicting that all board characteristic has significant influence on accounting conservatism and on dividend payout ratio and on other side accounting conservatism also has significant influence on dividend payout. The results are showing that accounting conservatism (ACON) mediates partially between the relationships of board characteristics and dividend payout ratio (DPO). The results of the mediating effect of accounting conservatism have been investing by following the Barron and Kenny, (1986), the path-a, b and c are satisfied and finally proved the partially mediation of accounting conservatism.

The results are in align with the past studies as the impact of board characteristics on accounting conservatism is an important area of research within corporate governance and financial accounting. Board size and accounting conservatism are correlated in a non-linear fashion. More conservative accounting practices could result from a board with more independent directors. Independent directors are less likely to be influenced by management and may be more inclined to advocate for conservative accounting practices (Sandra Alves, 2021). Larger boards may have more diverse perspectives and potentially lead to higher levels of accounting conservatism. Conservative accounting practices play a role in influencing a firm's dividend policy. Specifically, the use of conservative accounting reduces both the likelihood of paying cash dividends and the amount of cash dividend payout (Sandra Alves, 2021). A director's membership on the boards of other companies may be able to attract resources to their own company, according to the resource dependency hypothesis (Hillman et al., 2000). In Malaysia, accounting conservatism benefits from board competence. The same holds true for Pakistan and India; according to Saeed (2020), board meetings and attendance have a beneficial influence on accounting conservatism.

The study of Bahrain stock exchange corporations found that the higher accounting conservatism led to better earnings quality by reducing total accruals. This improved the credibility of financial statements and supported better investment decision (Reyad, 2012). In

terms of accounting conservatism's mediating role in the relationship between CSR and dividend payout ratio, the results demonstrate that all prerequisites for this mediation are met, and accounting conservatism does mediate, to a lesser extent, in this relationship. According to Javed, N., and Ali, N. (2023), CSR initiatives have a favorable impact on AC, which in turn has a favorable impact on companies' dividend distribution policies. The results underscore the function of AC as a mediator in the correlation between CSR and dividend distribution; a more robust mediation is discernible in businesses with superior financial reporting standards.

Conclusion

The hypotheses have been tested by selecting three emerging economies from South Asia, which are Pakistan, India and Bangladesh. The 495 firms that are listed on the stock markets of the chosen emerging economies make up the research after the data has been trimmed. The data time duration was for 11 years from 2012 to 2022. The Durbin-Wu-Test confirms the presence of endogeneity that is why generalized method of moments applied to test the hypotheses and found that all hypotheses are confirmed true except H8: Accounting conservatism mediates the relationship between CEO characteristics and dividend payout.

The results of the study are useful for the policy makers that how corporate social responsibility affects the accounting conservatism, which further leads to dividend payout. The results of the study also force to establish effect mechanism of governance, which leads to dividend payout through accounting conservatism. The findings also show that dividend distributions are correlated with the holding of the greatest shareholder, a company with a higher ownership concentration, and an institution as the largest shareholder as opposed to an individual.

In this study, a lot of work has been carried out, but still limitations are there. First of all, the study carried out in the context of only three countries that Pakistan, India and Bangladesh. The research has some future aspects for the researchers. In future study, the corporate governance can be used as a moderator to check its intensity to modify the relationship between accounting conservatism and dividend payout. The sample size may be increased in future study by adding more countries.

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