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RESEARCH PAPER

Impact of Corporate Social Responsibility on Dividend Payout Mediated by Accounting Conservatism

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ABSTRACT

The purpose of the study is to pinpoint the mediating effect of Accounting Conservatism (AC) in the relationship between Corporate Social Responsibility (CSR) and Dividend Payout (DP) empirically. By reviewing the past studies and literature, the hypotheses have been developed. The data has been gathered from 188 companies listed on the stock exchanges of Pakistan and India. The period of the data is 11 years (2010-2020). The results show that the prerequisites for the mediating function of AC in the link between CSR and DP are met, and AC is partially mediating in this relationship. This relationship was studied using a generalised mixed model (GMM) to address the issue of endogeneity and unobserved heterogeneity. The results of the study are helpful for the policymakers to formulate policies regarding CSR to enhance the shareholder's wealth.

KEYWORDS Accounting Conservatism, CSR, Dividend Payout, Emerging Economies

Introduction

CSR has gained importance in business as organisations are presumed to go above and beyond their monetary objectives and sponsor society and the environment. The influence of CSR on dividend payouts is one topic of interest for researchers and investors. Dividend distribution is part of a Firm's earnings allocated to shareholders and is crucial for luring and keeping investors. This study analyses the connection between CSR and dividend distribution and the mediating impact of AC. In recent years, CSR has seen substantial growth; firms are approaching CSR as a strategic opportunity to depict a softer brand image and increase their competitive leverage (Benlemlih, 2019). CSR activities have become an integral part of an organisation's core business to appease the expectations of stakeholders and shareholders (Ioannou & Serafeim, 2017). Shareholders meticulously evaluate the financial statements and assess their coherence and unity with established reporting standards.

A crucial component of business operations, CSR, is receiving more and more attention from academics and practitioners. The impact of CSR on AC, which relates to how cautiously businesses approach financial reporting, is one research topic (Dechow & Dichev, 2002). AC is essential because it impacts the validity and accuracy of financial statements and has potential consequences for creditors, investors, and other stakeholders. Several researchers have looked at the connection between AC and CSR. For example, Huang et al. (2019) discovered that companies that engage in CSR more frequently display more conservative accounting practices. Similar results were made by Chen et al. (2018), who found that CSR initiatives can symbolise a business' dedication to stakeholders, fostering better trust and increasing the usage of conservative accounting techniques. On the other hand, some researchers have discovered that the connection between CSR and AC is more complicated and may be influenced by the sector, the size of the business, and the type of CSR activity (Zhang et al., 2020).

Signalling theory also offers a complete theoretical explanation of CSR's value. It demonstrates how the CSR disclosure provides information regarding a Firm's unobserved attributes that impact stakeholders (Hou et al., 2016). These statements are prepared following universally accepted standards and financial reporting guidelines (Nasr & Ntim, 2017). However, the managers have a loophole because professional standards cannot comprehensively encompass all important financial reporting components. There is some inconsistency due to this ability to apply their expertise and judgement when making accounting estimates. (Chung et al., 2002). However, it is interesting that all the studies have reported inconclusive results and presented mixed conclusions regarding the respective relationship. One of the possible reasons for this failure to acquire conclusive results is the researcher's inability to identify the role of conservative accounting principles (Servaes & Tamayo, 2013). Overall, the evidence points to a strong positive influence of CSR on AC. However, the strength and direction of the association may vary depending on several variables. The mechanisms underlying this link and its ramifications for financial reporting must be thoroughly understood, requiring more study.

AC, or a cautious attitude to financial reporting, has impacted various business decision-making processes. One research topic is how AC affects a company's dividend payment strategy. Companies must carefully consider dividend payout policies since they impact how earnings are distributed to shareholders, stock prices, and market views. The link between conservative accounting practices and dividend payout has been investigated in several studies. For instance, Chen et al. (2019) discovered that companies with greater AC typically have lower dividend payout ratios. That is due to the possibility that conservative accounting procedures will lead to lower reported earnings, which may limit the number of earnings that can be used to pay dividends. On the other hand, other researchers have discovered a good association between AC and dividend payout, indicating that conservative accounting practices can raise the reliability of financial reporting and encourage investor trust in the business (Zhang et al., 2020; Fadhilah et al., 2019).

The dividend payout policy is essential for shareholders as it is a significant determinant of a Firm's valuation. It represents the return a potential investor can earn on their investment in the organisation. The synergistic effect of a Firm's dividend policy can enhance the firm's value and reduce agency problems (Ahmed et al., 2002). The amount of dividend significantly distributed impacts the firm's stock price because investors prefer a Firm with higher dividends rather than capital gain. A bird in the hand theory posits that investors prefer higher dividends over capital gains because of the lower risk and higher certainty associated with receiving dividends. The agency theory also describes the effects of dividend policy (Jensen & Meckling, 1976). It outlines the conflicts between stakeholders and creditors. It suggests that the funds available for the firm will be reduced if they are paid to creditors. The available assets are also reduced considerably when the dividends are overpaid (Ball et al., 2008). Factors like firm size, industry, previous dividend policy, leverage, profitability, and growth in size may influence different studies, a complex relationship between AC and dividend distribution. More research is required to fully comprehend the mechanisms underlying this link and its consequences for dividend policy.

Any organisation's engagement in CSR activities depicts incorporating environmental and social issues into its business operations and core values. Drawing upon the impacts of CRS activities on a firm's dividend payout policies, this study examines the mediating role of AC and corporate governance (Baker & Kapoor, 2015). CSR is a crucial factor in decision-making and has been shown to affect several company operations-related areas. One area of interest is the effects of CSR on companies' dividend distribution policies. Choosing a dividend payout strategy is crucial for businesses because it impacts how earnings are distributed to shareholders and can affect stock prices and investor views. The connection between CSR and dividend payout has been the subject of numerous research. Huang and Shen (2018) discovered, for instance, that companies with higher levels of CSR engagement typically have larger dividend payment ratios. CSR initiatives could improve the company's reputation and perceived worth, increasing investor confidence and supporting bigger dividend payouts.

Similarly, Lee and Park (2020) discovered that CSR initiatives could positively affect dividend payout policies. Still, the strength of the link may depend on the CSR initiatives done and the extent of stakeholder engagement. However, other research indicates that there may not always be a positive correlation between CSR activities and more fantastic dividend payouts, with some studies finding no correlation or even a negative one (Li et al., 2021; Chen et al., 2019). Overall, the research points to the complexity of the association between CSR and dividend payout and the potential influence of different variables, including the type and scope of CSR activities, the degree of stakeholder participation, and firm-specific traits. It will take more investigation to properly comprehend the mechanisms underlying this link and its consequences for dividend policy.

Results from earlier studies on the connection between CSR and dividend payout have been ambiguous. According to some studies, CSR can benefit dividend distribution since socially conscious businesses are seen as more reliable and successful (Dhaliwal et al., 2011). However, other research indicates that CSR may hurt dividend payout since businesses that spend extensively on CSR initiatives may have less money to distribute to shareholders (Dichev & Tang, 2009). This study will examine how AC affects the CSR and dividend payout relationship. AC is a financial reporting guideline that calls for corporations to recognise gains and losses carefully. Conservative accounting techniques are thought to reduce the danger of financial difficulty and increase the accuracy of financial reporting.

Literature Review

CSR has become an important issue in business, with companies increasingly expected to go beyond their financial goals and contribute positively to society and the environment. One area of interest for researchers and investors is the impact of CSR on dividend payout. Several studies have examined the association between CSR and dividend payout, and the findings have been mixed.

Effect of CSR on AC

CSR has recently grown in importance to corporate operations. In addition to what is mandated by law, it mentions the initiatives taken voluntarily by companies to decrease their detrimental effects on society and the environment (Carroll, 1991). Customer loyalty, reputation, and financial performance have all been connected to CSR as advantages for firms (Matten & Moon, 2008; Margolis & Walsh, 2003). In the literature, there is still disagreement over the connection between CSR and AC. AC describes a company's propensity to recognise gains less quickly than losses (Basu, 1997). It is frequently used to gauge the calibre of financial reporting (Watts, 2003) and has been associated with lower capital costs and more significant financial results (Ball & Shivakumar, 2008; Givoly & Hayn, 2000). The relationship between CSR and AC can be understood from the perspectives of the signalling theory and the stakeholder theory.

According to the signalling hypothesis, corporations engage in CSR activities to show their commitment to stakeholders, particularly investors, and to lessen information asymmetry (Jensen, 1986). From this vantage point, organisations that participate in CSR initiatives are anticipated to exhibit greater degrees of AC as a demonstration of their dedication to openness and high-quality financial reporting (Hassan et al., 2020). This viewpoint has received support from numerous studies, containing those by (Lins et al., 2017; Khan et al., 2013). In contrast, the stakeholder theory contends that businesses participate in CSR activities to satisfy their stakeholders' needs and expectations (Freeman, 1984). According to this viewpoint, firms that participate in CSR initiatives are anticipated to have lower levels of AC as they may be willing to forego short-term profits in favour of their stakeholders' long-term interests (Kang et al., 2018). This viewpoint has received support from numerous studies, containing those by (Cheng et al., 2014; Cho & Kim 2015).

The interests of a firm's stakeholders can be advanced while maintaining conservative financial reporting. This approach reduces information asymmetry and assists in aligning management and investor interests. It improves investment effectiveness, addresses agency difficulties, and optimises the pricing of managerial compensation (Garcia et al., 2016). Literature from the past reveals that management's commitment to enhancing stakeholder accountability and transparency is implied by CSR attitude. The performance of CSR activities has also been closely related to the degree of a firm's financial transparency. Suppose the firm is committed to reporting conservatively. In that case, it is implied that the organisation is financially responsible and recognises its loss promptly to protect the interests of the investors. That projects an admirable image in investors' minds as they expect such firms to be more ethical and responsible, especially in being considerate towards their stakeholders, not just the capital providers (Chen et al., 2014).

Freeman (1984) has also shown that good CSR performance can reduce transaction costs, potential disputes, and fights with stakeholders. Thus, the risk is mitigated, and the stakeholders are satisfied. However, it is also essential to understand that unfavourable macroeconomic conditions and rising pressure from debtholders and equity holders lead to managerial priority and negligence of CSR (Barnea & Rubin, 2010). Studies have shown that enterprises' CSR approach is inversely correlated with higher degrees of conservatism. Positive CSR can be highly costly for firms; this compels management to conduct a detailed cost-benefit analysis to strategically allot budget to CSR activities while retaining a healthy cash flow for operations (Benlemlih & Bitar, 2018). Therefore, it may be argued that significant engagement in CSR initiatives may serve as a charade in situations where management does not wish to bear the costs of AC. In the same vein, many managers are seen as not implementing CSR initiatives, as claimed in their reports. These reports are generated under pressure asserted by the shareholders. Though these practices can help managers achieve opportunistic goals, they negatively impact the firm (Zhao & Murrell, 2016).

The research on the connection between AC and CSR is generally inconsistent. While some studies have discovered a favourable association between the two, others have found an unfavourable link. The relationship is complicated and dependent on several variables, including the industry, the country backdrop, and the type of CSR activity, according to most research, which has acknowledged this study. The above literature guides us following hypothesis.

H1: The Positive Influence of CSR Activities on AC in Improving Dividend Payout

AC and Dividend Policy

AC is a fundamental accounting principle that mandates financial statements reflect a more cautious approach to asset and liability recognition. The procedure by which a company chooses the sum and timing of dividend payments to its investors is known as dividend policy. AC requires that losses or liabilities be recognised before gains or assets, resulting in lower reported earnings in the short term but higher-quality earnings in the long term (Ball & Shivakumar, 2005). This principle's justification is to promote a more cautious approach to financial reporting, which lowers information asymmetry and raises the trustworthiness of financial statements (Basu, 1997). AC is essential for businesses with a high level of uncertainty since it helps reduce the risks brought on by unforeseen future uncertainties.

A company's decision-making process for choosing the amount and timing of dividend payments to its shareholders is called its dividend policy. Many variables affect dividend policy, such as the company's financial performance, investment prospects, cash flow, tax considerations, and shareholder preferences (Jensen, 1986). Many studies have been done on AC's impact on dividend policy. Numerous studies indicate that companies with AC practices typically have a lower dividend payment ratio (Kim & Park, 2018; Atiq-ur-Rehman et al., 2019). The justification for this viewpoint is the claim that careful accounting practices result in lower reported earnings, which can instead be reinvested in the business to finance future growth. A few studies, however, suggest a favourable correlation between AC and dividend policy (Wang, 2015; Yang et al., 2018). Similarly, Wang (2015) contends that using conservative accounting techniques will result in extra cash flows that can be utilised to increase the dividend payment ratio. Yang et al. (2018) revealed that corporations with higher degrees of AC tended to pay higher dividends, as this practice shows a firm's commitment to financial stability and dependability.

Numerous empirical research studies have examined how AC affects dividend policy. Kim and Park (2018) analysed Korean firms and discovered a conflict between AC and dividend payout ratio. They stated that using AC techniques results in lower reported earnings, which can be returned to the firms to fund expansion possibilities rather than handed to shareholders. Other research by Atiq-ur-Rehman et al. (2019) observed that companies with higher degrees of AC have a lower dividend payment ratio because they prioritise keeping profits for investments in the future. In contrast, Wang (2015) discovered a favourable connection between dividend policy and AC. In his view, conservative accounting procedures generate surplus cash flows that can be used to increase the dividend payout ratio by paying out dividends to shareholders. Yang et al. (2018) also discovered a favourable connection between AC and dividend policy, as the former reveals a company's dedication to dependable and stable finances. So, the impact of AC on dividend policy is a complicated and nuanced subject. Some research has suggested a good association between the two, while others have suggested a negative relationship. Based on this literature and the results of an empirical study, I proposed the following hypothesis.

H2: AC positively affect the Dividend policy of the firms.

CSR and Dividend Policy

A dividend policy is a structured set of guidelines issued by a Firm that defines the dividend payout structure of a firm. Some studies suggest that dividend policy is irrelevant in theory as investors are interested in capital gains. However, this has not been conclusively proven. Rather many researchers have claimed that dividend policies determine the investment decisions of particular investors (Cesari, 2012). The relationship between these two variables is indirectly reckoned with in multiple studies. It has been conclusive that CSR positively impacts earnings by establishing a stronger connection between stakeholders and the firm (Turki, 2019). Research by Benlemih revealed that accounting for endogeneity states that high CSR firms pay out more dividends. It also showed that dividends are more consistent and stable in firms that engage in CSR activities. However, it can be argued that investment in CSR activities limits firms' resources and may indicate that a firm cannot pay handsome dividends to its investors (Benlemlih, 2019),

A study was conducted on the impact of CSR on the dividend payout of mutual funds and presented convincing findings. It examines how CSR activities increase profits for multiple reasons, like acquiring competitive advantage, enhanced stakeholder relations, and better management. Because of the more excellent earning capability of such firms, superior returns were earned. These earnings were linked to socially responsible investing and higher dividends earned (Maqbool et al., 2022).

In light of this, several studies claim that CSR can have a favourable effect on dividend payout. As an illustration, Dhaliwal et al. (2011) discovered that businesses that participate in voluntary nonfinancial disclosure, a type of CSR, have a lower cost of equity capital, indicating that investors view them as more stable and prosperous. Similarly, Farooq and Shahzad (2016) discovered a favourable association between CSR and dividend payout in Pakistan, indicating that businesses participating in CSR activities may have more excellent dividend payouts. However, other research suggests that CSR may have a detrimental effect on dividend payout. Dichev and Tang (2009), for instance, discovered that firms with higher earnings volatility typically have smaller dividend distributions, and since CSR activities can be expensive, they may also increase profit volatility. Similarly, Chen and Roberts (2010) discovered a negative relationship between CSR spending and future cash flows, which may limit the amount of money available for dividend payouts. From the above literature, I proposed the following hypothesis.

H3: Companies that actively engage in CSR will give out more dividends.

Mediating Role of AC

The degree to which firms recognise and report cautious profit numbers is known as AC, and it is a critical issue in accounting studies. According to Basu (1997), AC reflects how good and bad news is handled unequally in financial reporting. Companies with conservative reporting practices react quicker to negative earnings than positive news, producing better financial reporting (Ball and Shivakumar, 2005). The relationship between CSR and financial performance is said to be mediated by AC in the context of CSR. CSR initiatives may impact AC, influencing a company's financial performance (Garcia-Sanchez et al., 2018). Kim and Kim's (2016) study revealed that AC moderates the connection between CSR and stock returns. They discovered that enterprises with high CSR engagement and AC have higher stock returns than those with low CSR engagement and low AC. Another study explaining the relationship between CSR and financial performance is closely related, with AC being a key factor. According to a study by Kim and Kim (2016), the association between CSR and stock returns is moderated by AC. They discovered, in particular, that firms with greater stock returns also have more CSR engagement and AC than companies with lower stock returns and lower CSR engagement and AC.

In another study, Dhaliwal et al. (2011) discovered that AC mediates the link between CSR and financial performance. They argued that AC could strengthen the validity of CSR disclosures, which will support the beneficial effects of CSR on financial performance. Similarly, AC plays a mediating function between CSR and financial performance, according to Garcia-Sanchez and Noguera-Gomez's (2018) research, and it is more prominent in companies with high levels of CSR activity. The results of these studies collectively point to AC as a potential mediator of the relationship between CSR and economic performance, which helps to explain the contradictory results of previous research on the subject. This study clarifies how CSR efforts impact dividend distribution by examining the mediating role of AC. In a different study, Chen et al. (2018) investigated the connection between AC, CSR, and the price of equity capital. The authors discovered that AC mediates the relationship between CSR and the cost of equity capital, suggesting that conservative accounting practices can improve the perceived credibility of CSR disclosures, which, in turn, results in a decrease in the cost of equity capital for the firm.

Overall, these studies point to a substantial mediating role for AC in the association between CSR and financial performance, offering a potential explanation for the contradictory results in the literature regarding the link between CSR and dividend distribution. This research intends to improve knowledge of how CSR efforts affect dividend distribution by examining the mediating impact of AC. Based on this literature on the mediating role of AC, I propose the following hypnosis.

H4: The mediating effect of AC on the relationship between CSR and dividend payout will be more substantial for firms with high levels of financial reporting quality.

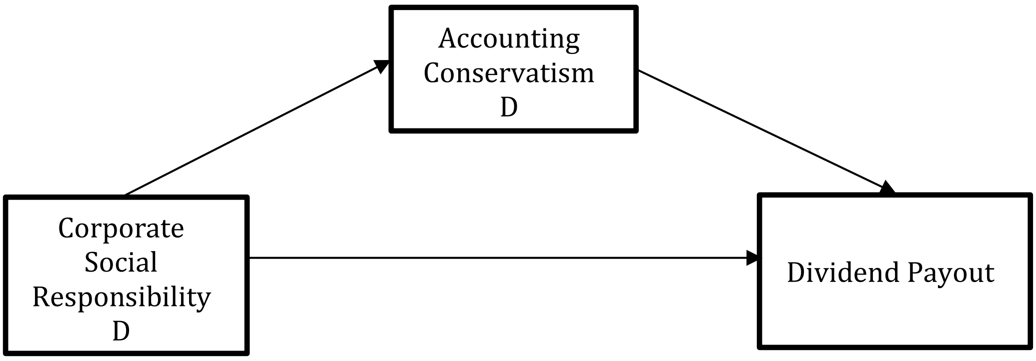

Figure 1. Research model

Material and Methods

In the study, the panel data has been obtained from 188 companies listed on the stock exchanges of two emerging economies, i.e., Pakistan and India. Initially, the data was collected from Datastream for 320 companies listed on the stock exchanges of both countries. Still, the corporate social responsibility data was unavailable for all companies. Moreover, not all companies are following a stable policy of dividends, due to which only 188 companies have been taken into account. The sample data is for 11 years, from 2010 to 2020. The study's objective is to investigate the mediating role of accounting conservatism in the relationship between corporate social responsibility and dividend payout. Therefore, the following research model has been used.

Model Specification

- **Impact of CSR on Accounting Conservatism (Path-a)**

$$AC_{it} = \beta_0 + \beta_1 CSR_{it} + \alpha_1 AR_{i,t-1} + \alpha_2 AR_{i,t-2} + \varepsilon_{\mathrm{it}}$$

- **Impact of Accounting Conservatism on Dividend Payout (Path-b)**

$$DP_{it} = \beta_0 + \beta_1 AC_{it} + \sum_{i=1}^{j} \lambda_i Con_{it} + \alpha_1 AR_{i,t-1} + \alpha_2 AR_{i,t-2} + \varepsilon_{\mathrm{it}}$$

- **Impact of CSR on Dividend Payout (Path-c)**

$$DP_{it} = \beta_0 + \beta_1 CSR_{it} + \sum_{i=1}^{j} \lambda_i Con_{it} + \alpha_1 AR_{i,t-1} + \alpha_2 AR_{i,t-2} + \varepsilon_{\mathrm{it}}$$

- **Impact of CSR and Accounting Conservatism on Dividend Payout**

$$DP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 AC_{it} + \sum_{i=1}^{j} \lambda_i Con_{it} + \alpha_1 AR_{i,t-1} + \alpha_2 AR_{i,t-2} + \varepsilon_{\mathrm{it}}$$

Whereas

$DP_{i,t}$ = Dividend Payout Measure for firm i in year t

$AC_{i,t}$ = AC Measure for firm i in year t

$FS_{i,t}$ = Size of the firm for firm i in year t

$LEV_{i,t}$ = Leverage for firm i in year t

$GROS_{i,t}$ = Growth in Sales for firm i in year t

$CSR_{i,t}$ = Corporate Social Responsibility for firm i in year t

Following Donovan et al. (2015), AC has been measured using the conditional conservatism metrics created by Zhang (2008) and based on Basu (1997). Earnings divided by dividends paid are used to calculate the dividend payout ratio. Additionally, DataStream has provided the data for all other variables. The natural log of the total assets is used to calculate the company size; the sale growth and leverage ratios are used to calculate the firm growth. To control endogeneity and reverse causation, researchers have used a two-stage model and a two-step system dynamic GMM methodology (Shin et al., 2020; Aksar, Ahmed, 2022).

Results and Discussion

Table 1
Correlation Analysis and Descriptive Statistics

	DP	CSR	AC	FS	SG	LV
DP	1					
CSR	-0.019	1				
AC	-0.004	0.688	1			
FS	0.067	-0.082	-0.041	1		
SG	0.002	0.032	0.050	-0.065	1	
LEV	-0.025	-0.068	-0.004	0.170	0.118	1
Mean	0.168	15.431	0.059	17.502	0.136	0.285
S. D	1.223	12.523	8.608	1.602	0.171	0.225

Note: AC=Accounting Conservatism, DP= Dividend Payout Ratio, CSR=Corporate Social Responsibility, FS=Firm size, SG=Sale growth, LV=Leverage, ***P<0.01, **P<0.05, *P<0.1 Parenthesis= (P-value, significance)

Table No.1 elaborates on the results of descriptive statistics and correlation analysis. The correlation analysis reveals little correlation between any explanatory variables, suggesting that multi-correlation is not a severe problem. Furthermore, with a variation of 1.223, the average dividend payout ratio is 0.168. Additionally, the natural log of total CSR expenses yields an average CSR expense of 15.431 with a standard deviation of 12.523. Other variables exhibit the average value along with variation as indicated by standard deviation.

Table 2
Mediating Role of CSR in Relationship between AC and DP

Variables	Path-a	Path-b	Path-c	4th step
Dependent Variables	**AC**	**DP**	**DP**	**DP**
DV (-1)	0.5315*** (0.0000)	0.1776*** (0.0000)	0.4339*** (0.0000)	0.3107*** (0.0000)
CSR	0.0306*** (0.0000)		0.0573*** (0.0000)	0.0168*** (0.0000)
AC		0.1373* (0.0410)		0.1205*** (0.0000)
FS		0.1019*** (0.0020)	0.1296*** (0.0000)	0.1749*** (0.0000)
SG		0.0261 (0.3280)	0.0193*** (0.0000)	0.1338*** (0.0000)
LV		0.0126 (0.8390)	-0.2723*** (0.0000)	0.0393 (0.468)
Constant	0.1821*** (0.0000)	2.2437*** (0.0000)	1.9806*** (0.0000)	2.5883*** (0.0000)
AR (1)	-3.6241 (0.0000)	-1.8325*** (0.0053)	-2.2317** (0.0102)	-1.3644** (0.0270)

AR (2)	0.8864 (0.3244)	-1.1210 (0.3316)	-0.1830 (0.3418)	0.6873 (0.5207)
No. of Instruments	63	23	56	69
Hansen J-Stat P-Value	132.832 (0.1012)	13.257 (0.1234)	123.386 (0.0986)	134.492 (0.1216)

Note: AC=Accounting Conservatism, DP= Dividend Payout Ratio, CSR=Corporate Social Responsibility, FS=Firm size, SG=Sale growth, LV=Leverage, ***P<0.01, **P<0.05, *P<0.1 Parenthesis= (P-value, significance)

Table No. 2 shows the results regarding the mediating role of AC in the relationship between CSR and Dividend payout ratio (DP). In path-a analysis, the results report that CSR positively influences AC as the co-efficient of CSR is positive, with a p-value less than 0.05. Therefore, Hypothesis **H1**: The Positive Influence of CSR Activities on AC in Improving Dividend Payout is accepted. The results further depicted that AC has a positive and significant influence on DP with a positive co-efficient of AC, and the p-value is less than 0.05. Therefore, hypothesis **H2:** AC positively influences the Dividend policy of the firms is accepted. In Path-c, the results supported hypothesis **H3**: Companies that actively engage in CSR will give out more dividends. Therefore, all the conditions for mediating the role of AC in the relationship between Dividend Payout (DP) and CSR objectives are met. The findings from the fourth step demonstrate that both the AC and CSR coefficients are positive and statistically significant, demonstrating that AC mediates the association between CSR and dividend payout to some extent. As a result, hypothesis H4 is accepted: For enterprises with high levels of financial reporting quality, the mediating influence of AC on the association between CSR and dividend distribution will be more significant. The results align with past studies (Basu, 1997; Ball and Shivakumar, 2005; Garcia-Sanchez et al., 2018). Dhaliwal et al. (2011) also reported the mediating role of AC in the relationship between CSR and financial performance, so better performance has an impact on the dividend payout ratio.

The results also show the influence of control variables on the dividend payout ratio. Firm size (FS) and sale growth demonstrate a positive and significant impact on dividend payout, but leverage has an insignificant relationship with dividend payout.

Conclusion

The study's primary goal is to investigate accounting connectivism's mediating function in the connection between CSR and dividend payment (DP). The theory and prior literature served as the foundation for the hypothesis. Data from 188 businesses listed on the stock markets of Pakistan and India have been gathered to assess the empirical validity of the theory. The data spans 11 years, from 2010 to 2020. According to the GMM results, AC partially mediates the association between CSR and dividend payout (DP), with all prerequisites for AC's mediating role being satisfied. The study results contribute to stakeholder theory by showing the positive influence of CSR on accounting conservatism. The results of the study are helpful for the policymakers to formulate policies for CSR for enhancement of the maximisation of the shareholders' wealth. Participation in CSR best practices promote businesses to increase investor dividend payouts. Investors are more inclined to fund socially conscious businesses than socially irresponsible ones.

Future studies must make a comparison between developed nations and rising economies. In addition, other elements, including ownership structures, board composition, and audit quality, are also required.

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