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Sustainable Dividend Policies and CSR Disclosure: How Strategic Investors Influence Wealth Distribution

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ABSTRACT

This study investigates how strategic investors influence the relationship between corporate social responsibility (CSR) disclosure and dividend policy in US firms. Drawing on agency and stakeholder theory, we conceptualize dividends not merely as financial signals but as instruments of stakeholder-oriented wealth distribution. Using panel data from S&P 500 firms (2007–2021) and a fixed effects regression approach, we test whether CSR disclosure affects both the likelihood and the magnitude of dividend payments, and how this relationship is moderated by the presence of strategic ownership (e.g., pension funds, governments, and employee stock plans). We find that CSR disclosure increases both dividend propensity and dividend yield. Strategic investors positively moderate the initiation of dividends but negatively moderate dividend size—suggesting a tension between signaling accountability and preserving long-term capital. These findings enhance our understanding of sustainable governance and offer implications for CSR reporting, ownership design, and financial policy.

JEL Classification: G32, G35, M14, M41, Q56

1 | Introduction

In the age of climate urgency and widening socioeconomic inequalities, firms face mounting pressure to demonstrate accountability not only to shareholders, but also to a broader constellation of stakeholders. Increasingly, this accountability is operationalized through transparent corporate social responsibility (CSR) strategies, which communicate a firm's commitment to sustainable development goals and ethical conduct (Lueg and Radlach 2016; Jackson et al. 2020). CSR disclosure is widely understood as a tool for reducing information asymmetries and legitimizing the firm in the eyes of investors, regulators, and communities (Raimo et al. 2021; García-Sánchez et al. 2019). However, CSR strategies entail costs—raising the question of how firms balance the financial resources devoted to external sustainability efforts with the obligation to deliver returns to capital providers (Armstrong and Green 2013).

This dilemma is, particularly, acute with respect to dividend policy. Dividend distributions are not merely financial signals; they are increasingly viewed as a channel through which firms enact distributive justice, reward long-term investment, and reaffirm commitments to fairness and accountability (Dahiya et al. 2023; Clarkson 1995). Some scholars argue that dividends may conflict with CSR by crowding out funds needed for sustainability initiatives (Rakotomavo 2012; Armstrong and Green 2013). Others contend that dividends themselves can be reframed as a component of corporate responsibility—a means to equitably distribute the value cocreated with stakeholders, including long-term investors, employees, and society at large (Freeman 1984; Sheikh et al. 2021). Understanding this tension is crucial for sustainable governance.

Ownership structures shape how this trade-off is resolved. Prior research has shown that different investor groups exhibit heterogeneous preferences regarding sustainability and payout policy (Ellili 2022; Sheikh et al. 2021). In particular, strategic investors—such as pension funds, governments, employee shareholders, and intercorporate holdings—bring long-term perspectives and nonfinancial goals to the governance process (Andriosopoulos and Panetsidou 2021; Hearn et al. 2025). Due to these characteristics, the impact of strategic investors on the CSR-dividend link is, particularly, appealing for researchers as well as practitioners. As they often operate at the junction of agency theory (capital discipline) and stakeholder theory (inclusion and legitimacy), these investors may advocate for cash conservation to fund sustainability efforts, or, conversely, expect regular dividends as a mechanism of accountability or compensation (Ni and Zhang 2019; Saeed 2021; Schuhmacher et al. 2022).

However, while literature on the relationship between CSR and dividend policy has grown, findings remain inconsistent. Some studies identify a positive link, whereby high CSR disclosure correlates with greater dividend propensity (DP) or yield (Krieger and Mauck 2024; Barros et al. 2023). Others find null or negative effects, particularly, under mandatory CSR regimes (Ni and Zhang 2019; Chen et al. 2024). These tensions call for more fine-grained analysis. Moreover, strategic investors remain underexplored in CSR-dividend research. Existing studies have predominantly examined institutional or family ownership (Sheikh et al. 2021; Badru and Qasem 2024), but have not systematically assessed how strategic ownership moderates the relationship between CSR disclosure and dividend policies. Yet, if these actors champion long-term, sustainable agendas, they may exert governance influence in ways that reshape firms' financial and ethical responsibilities. This paper aims to address this gap by asking: *How do strategic investors shape the relationship between CSR disclosure and sustainable dividend policies?*

This study draws on agency theory and stakeholder theory to conceptualize dividend policy as a governance mechanism that reflects the balance between financial accountability and social legitimacy. While agency theory emphasizes the mitigation of managerial discretion through mechanisms such as dividends (Jensen and Meckling 1976; Ross 1973), stakeholder theory considers shareholders as a relevant stakeholder group, which is why compensating shareholders' contributions using dividends as a common payout vehicle might be an integral part of CSR (Dahiya et al. 2023). Using a panel dataset of S&P 500 firms from 2007 to 2021, the analysis combines firm-level CSR disclosure data with ownership structures and dividend payout records. We estimate fixed effects and interaction models to examine how strategic investors moderate the link between CSR disclosure and both the likelihood and level of dividend payouts. The results show that CSR disclosure increases the probability of dividend issuance, while strategic investors amplify this effect but dampen the level of payouts. These findings contribute to CSR and sustainability literature by reframing dividends as instruments of stakeholder-aligned wealth distribution and highlighting how ownership composition shapes the fairness and stakeholder orientation of corporate resource allocation decisions. The findings aim to inform sustainability-focused investors, policymakers, and firms seeking to balance fiscal prudence with equitable value distribution. In doing so, the paper enriches the broader debate on how CSR commitments are embedded into the financial architecture of the corporation.

2 | Theoretical Foundation

This section provides the theoretical foundations for our analysis. It draws on two complementary perspectives—agency theory and stakeholder theory—that together offer a dual lens for understanding the role of dividends in CSR-oriented governance. Agency theory emphasizes financial discipline and the mitigation of managerial discretion through mechanisms like dividends and investor oversight (Jensen and Meckling 1976; Ross 1973), which is why dividends are seen as disciplinary tools to reduce free cash flow and limit managerial discretion. From this perspective, high CSR disclosure may be viewed with suspicion, as the increased transparency about the firm's operation could justify earnings retention under the guise of social investment—potentially undermining shareholder value (Jensen and Meckling 1976; Armstrong and Green 2013). Contrastingly, stakeholder theory stresses the ethical and inclusive distribution of value among diverse constituencies (Freeman 1984; Donaldson and Preston 1995), thereby interpreting both CSR disclosure and dividends as mechanisms of legitimacy, fairness, and value distribution. From this angle, CSR-active firms may use dividends to reinforce their commitment to ethical governance and to acknowledge the cocreation of value with stakeholders, including long-term shareholders, employees, and communities (Freeman 1984; Donaldson and Preston 1995). Strategic investors, in particular, are uniquely positioned at the intersection of these theories: they combine the monitoring function highlighted by agency theory with the normative commitments emphasized by stakeholder theory. This dual role enables them to simultaneously promote responsible financial conduct and long-term sustainability alignment (Billett et al. 2015; Hellmann 2002; Noe 2002).

We begin with a concise overview of the key constructs relevant to our study in Section 2.1. To ground our empirical contribution, we conducted a comprehensive literature review covering the intersections of CSR, payout policy, and ownership structure. This review is summarized in Table 1. It outlines key empirical patterns, gaps, and theoretical tensions found in the extant literature and serves to contextualize the three hypotheses developed in the following sections. Section 2.2 details the theoretical development and rationale behind our hypotheses.

2.1 | CSR Disclosure, Strategic Ownership, and Corporate Dividends

CSR disclosure refers to the structured, external communication of a firm's environmental, social, and governance (ESG) efforts. These disclosures aim to reduce information asymmetries, meet stakeholder expectations, and signal ethical and long-term orientation (Raimo et al. 2021; Dhaliwal et al. 2014). CSR strategy scores, such as those developed by Refinitiv, offer quantitative metrics to evaluate firms' sustainability policies and transparency (Refinitiv 2022). Higher CSR disclosure has been associated with improved reputation, capital access, and stakeholder trust (Cheng et al. 2014; Ellili 2022).

TABLE 1 | Overview of extant literature.

Year	Author	Independent variable	Dependent variable	Moderating effect	Results
Panel A: CSR disclosure					
2025	Malik and Kashiramka	*Sustainability disclosure* Comprehensive ESG score as well as individual environmental, social and governance scores	*Dividend policy* Likelihood to pay dividends: dummy variable that is 1 if the firm pays dividends in year *t* Dividend amount: dividend payout ratio and dividend yield	Financial constraints: positive effect of ESG disclosure is more pronounced for firms with greater financial constraints	(+) Sustainability disclosure increases likelihood of paying dividends in emerging economies (+) Sustainability disclosure increases the dividend payout of firms in emerging economies **(+)** Sustainability disclosure increases dividend yield in emerging economies
2024	Chen et al.	*ESG reporting* Dummy variable that is one if mandatory ESG reporting is adopted at the firms headquarter location	*Dividend payment* Ratio of firm's cash dividends to firms total earnings	Financial constraints, level of stock market development, level of information asymmetry	(−) Mandatory ESG reporting reduces dividend payouts *Moderator* Financial constraints, firm locations in countries in less developed stock markets and information asymmetries strengthens the negative relationship.
2023	Dahiya et al.	*CSR disclosure* ESG disclosure score (Bloomberg)	*Dividend payment* Ratio of firm's annual cash dividend to net income	Financial constraint, earnings, reporting quality, information asymmetry, life cycle, regulatory intervention	**(+)** Higher CSR disclosure positively affects dividend payments *Moderator* Stronger relationship for more mature firms; positive moderation of financial constraint and earnings; negative impact of regulatory interventions in the form of mandatory CSR
2023	de Villiers et al.	*CSR disclosure* Unexpected and expected disclosure score (GRI sustainability reporting standard)	*Dividend payment* Dividends divided by net income		**(+)** Firms with higher levels of unexpected disclosure pay higher dividends
2022	Ellili	*CSR disclosure* ESG score, environmental, social, and governance score (Bloomberg)	*Dividend payment* Dividends paid out to shareholders divided by the net income	Corporate governance: institutional, foreign, insider, and blockholder ownership; board diversity	**(+)** ESG with a positive significant impact on dividend payout *Moderator* Institutional (negatively) and foreign ownership (positively) moderate the relationship

(Continues)

TABLE 1 | (Continued)

Year	Author	Independent variable	Dependent variable	Moderating effect	Results
2024	Badru and Qasem	*CSR disclosure* Self-constructed CSR disclosure index	*Dividend payment* Dividend payout ratio: total dividends to total assets	Family control: Dummy variable that is 1 if a company is family controlled	**(+)** Positive and significant relation between CSR disclosure and dividends *Moderator* Family control does not influence the relationship between CSR and dividends
2021	Saeed and Zamir	*CSR disclosure* Self-constructed CSR disclosure index by employing a content analysis	*Dividend payment* Dividend growth: change in dividend in percentage to previous year Dividend payout ratio: dividend per share divided by net income Dividend yield: Dividend per share to price per share	Institutional ownership; legal origin	**(−)** CSR disclosure has a negative impact on corporate dividends *Moderator* Institutional ownership strengthens the negative relationship. The legal origin does not affect the association
2019	Ni and Zhang	*(Mandatory) CSR disclosure* Dummy variable that is 1 if CSR reporting is mandatory in certain year	*Dividend payment* Cash dividend payouts to total assets and to total sales		**(−)** Mandatory CSR disclosure regulation negatively affects the dividend payout of firms
Panel B: CSR performance					
2025	Shehata et al.	*ESG performance* ESG rating disclosed by the used ESG index	*Dividend payment* Dividend payout: ratio of dividends to earnings	Influence of political uncertainty: Dummy variables that is 1 for revolution or postrevolution periods	**(+)** ESG performance positively influences dividend policy in Egypt *Moderator* Political uncertainty negatively influences the relationship
2024	Almulhim et al.	*ESG performance* Determination of ESG performance by employing the ESG disclosure score (Bloomberg)	*Dividend payment* Dividend yield: dividends per stock divided by stock price	Financial sustainability: sustainable growth rate derived from Higgins' model	**(+)** Positive correlation between ESG performance and dividend payments *Moderator* Financial sustainability enhances positive relation between ESG and dividend payments
2025	Karki and Seth	*ESG performance* ESG score; Environmental, social and governance score (Refinitiv)	*Dividend payment* Dividend payout ratio: cash dividend to net sales and cash dividends to total assets	Firm size: Total assets	**(+)** ESG performance as well as the individual ESG dimensions performance positively influence the dividend payout *Moderator* Firm size negatiely influences the relationship between ESG and dividends

(Continues)

TABLE 1 | (Continued)

Year	Author	Independent variable	Dependent variable	Moderating effect	Results
2024	Krieger and Mauck	*CSR/ESG levels* Environmental, social, and governance commitment levels proxied by an adjusted ESG measure combining multiple scores (MSCI KLD)	*Dividend payer* Dummy variable that is 1 if the company pays ordinary quarterly dividends (CRSP)		**(+)** Higher ESG commitment leads to higher likelihood of dividend-payer status
2024	Nguyen et al.	*CSI perception* Reputation risk index (RepRisk)	*Dividend payment* Dividend yield	Growth	**(+)**[a] Firms perceived as irresponsible pay higher dividends *Moderator* Growth strengthens the relationship
2024	Salvi et al.	*Environmental, social and governance strategies* ESG score and environmental and social score	*Dividend policy* Dividend payout: percentage of earnings distributed to shareholders Dividend yield: ratio between annual dividend and stock price		**(+)** Positive effect of ESG practices on the firm's payout policy
2023	Barros et al.	*ESG performance* ESG and ESG pillar score (Refinitiv)	*Dividend payer* Dummy variable that is 1 if the company pays dividends in year t, otherwise 0	R&D intensity	**(+)** High ESG scores lead to higher likelihood of dividend payments *Moderator* R&D Intensity reduces dividend propensity
2023	Bilyay-Erdogan et al.	*ESG performance* ESG combined score, pillar as well as subcategory scores (Refinitiv)	*Dividend payment* Cash dividends to net income		**(+)** Higher ESG firms are likely to pay higher dividends
2023	Maquieira et al.	*ESG performance* ESG score (Refinitiv)	*Dividend payment* Total cash dividend paid during the year over book value of assets	Financial constraints: Ratio between total debt over total assets; interest coverage ratio and *K-Z* index	**(+)** for large family firms: ESG performance is positively related to higher payouts *Moderator* Dividends of financial constrained firms are less sensitive to ESG Score
2025	Rastogi and Singh	*ESG practices* ESG index; environmental, social and governance index	*Dividend payment* Equity dividend divided by net worth	Shareholder activism: Shareholder activism index	**(+)** ESG positively impacts dividend distributions *Moderator* Shareholder activism negatively impact the association between ESG and dividend distribution

(Continues)

TABLE 1 | (Continued)

Year	Author	Independent variable	Dependent variable	Moderating effect	Results
2021	Oh and Park	*Corporate sustainable management* ESG evaluation rating (Korea Corporate Governance Service)	*Dividend payment* Dividend to total assets payout ratio	Firms size (dummy if belonging to chaebol group, a large business group in Korea), size of boards, surplus funds (level of free cash flow), and foreign ownership	**(+)** Firms with excellent CSM activities pay out higher dividends *Moderator* Firms belonging to chaebol (conglomerate) show a weaker association; board size, more available cash flow, and foreign ownership strengthens relationship
2022	Ben Salah and Ben Amar	*CSR performance* Average of environmental, social, corporate governance, economic score (Thomson Reuters ASSET4)	*Dividend payment* Total dividend per share to earnings per share		**(+)** Stronger evolvement with CSR activities is associated with higher dividend payments
2021	Sheikh et al.	*CSR activity* CSR score developed during content analysis of firms' annual reports and website	*Dividend policy* Propensity to pay dividends: dummy variable Dividend payout: cash dividends on common stock to total assets	Family ownership	**(+)** CSR increases propensity to pay dividends **(−)**CSR reduces amount of dividends *Moderator* For family firms: opposite of above described results
2020	Verga Matos et al.	*Sustainability performance* ESG score (Thomson Reuters Eikon)	*Dividend propensity* Dummy variable that is 1 if the company pays dividend		(?) No significant results found
2019	Benlemlih	*CSR performance* CSR score based on six individual dimensions: corporate governance, community, diversity, employee relations, and environment (MSCI KLD)	*Dividend policy* Dividend amount: ratio of cash dividends to net sales and ratio of cash dividends to total assets		(+) High CSR companies pay higher dividends. Similiar results are found for the five of the six individual dimensions
2019	Giese et al.	*ESG performance* ESG score (MSCI KLD)	*Dividend payment* Dividend yield		(+) High ESG-rated firms have higher dividend yield
2018	Cheung et al.	*CSR performance* ESG strengths and weaknesses (MSCI KLD)	*Dividend policy* Dividend propensity: dummy variable Dividend payout ratio: ratio of dividend per share per diluted earnings per share		(−) No evidence is found that the decision to pay or pay not dividends is determined by CSR scores (+) Higher CSR scores tend to have higher dividend payout

(Continues)

TABLE 1 | (Continued)

Year	Author	Independent variable	Dependent variable	Moderating effect	Results
2018	Trihermanto and Nainggolan	*CSR expenses* Economic, social and environmental expenses	*Dividend policy* Cash dividends		(+) An increase in CSR expenses boost the dividend payout
2017	Samet and Jarboui	*CSR performance* CSR index (Thomson Reuters ASSET4)	*Dividend policy* Dividend payout ratio: Dividends to market value of equity		**(+)** High CSR corporations pay out more dividends

Note: Overview of the literature in the CSR and corporate dividends research field. Based on the CSR dimension, the studies are divided into two panels: CSR disclosure and CSR performance. Within the categorization, the papers are sorted by year and author. The findings of the studies are presented in the last column to enable a comprehensive overview of the current state of the literature. (+) depicts a positive impact of CSR on the corporate dividends proxy, (−) a negative.

[a]Please consider the contrasting independent variable CSI.

Strategic ownership captures equity stakes held by investors whose interests extend beyond short-term financial returns. These include government entities, pension funds, employee shareholders, and cross-shareholding firms. Strategic investors typically have longer time horizons, mission-driven mandates, and reputational exposure that align them with broader sustainability goals (Goranova and Ryan 2022; Hearn et al. 2025; Hellmann 2002). Their governance role differs from transient shareholders in that they may exert pressure for financial prudence, social responsibility, and long-term value creation (Andriosopoulos and Panetsidou 2021).

Corporate dividends represent cash distributions made to shareholders and are traditionally viewed as signals of firm performance and financial health (Denis and Osobov 2008; Miller and Modigliani 1961). In the CSR context, dividends take on additional meaning as mechanisms of stakeholder accountability and distributive fairness (Dahiya et al. 2023; Clarkson 1995). They can reflect a firm's willingness to return value to investors while balancing competing demands for internal reinvestment and external legitimacy (Freeman 1984; Sheikh et al. 2021).

2.2 | Hypotheses Development

2.2.1 | CSR Disclosure and DP (H1)

Extant research provides conflicting predictions about the relationship between CSR disclosure and DP. On one hand, agency theory suggests that managers may use CSR disclosures as a reputational shield, enabling them to retain earnings under the guise of long-term investment, thereby reducing the likelihood of dividend payouts (Padungsaksawasdi and Treepongkaruna 2024; Armstrong and Green 2013; Rakotomavo 2012). On the other hand, stakeholder theory offers an alternative view: firms disclosing their CSR efforts may also use dividends as a complementary tool to reinforce their social contract with investors and other stakeholders. By that, firms that demonstrate credible CSR engagement can satisfy all stakeholders, both financial and nonfinancial, enabling long-term loyal relationships (Freeman et al. 2004; Dahiya et al. 2023; Donaldson and Preston 1995).

CSR disclosure can thus serve dual functions—signaling the firm's sustainability commitment and reinforcing perceptions of fairness and accountability through dividends (Dahiya et al. 2023; Raimo et al. 2021; García-Sánchez et al. 2019). Firms with credible CSR engagement may face stronger monitoring from socially oriented shareholders (Ellili 2022; Ni and Zhang 2019), who expect not only transparency but also responsible financial conduct, such as consistent dividend payments. Regular dividend payments are increasingly viewed as a form of responsible financial conduct given their role in supporting societal stakeholders who depend on dividend income, including retirees and beneficiaries of pension schemes (Buertey et al. 2024).

Empirical studies support this theoretical rationale. Barros et al. (2023) and Krieger and Mauck (2024) find that CSR-active firms are more likely to issue dividends, particularly, when facing strong stakeholder expectations. Similarly, Malik and Kashiramka (2025) and Sheikh et al. (2021) observe positive

connections between CSR activities and dividend payout decisions. We propose:

H1. *Firms with higher CSR disclosure are more likely to pay dividends.*

2.2.2 | Strategic Ownership and Dividend Level (H2)

The above depicted theoretical foundations also lay the pave for the relationship between CSR disclosure and the dividend payout level of a corporation. From a stakeholder perspective, CSR is expected to ensure a fair distribution of wealth generated within a firm. The economic value of CSRD and the potentially increased earnings as a main determinant of a firm's dividend policy can lead to an expected increased payout (de Villiers et al. 2023; Cheung et al. 2018). Agency theory offers a different lens: transparent disclosure of CSR could act as a substitute to dividend policies, which normally mitigate the risk of potential agency conflicts between agents and principals, potentially leading to reduced payout levels (Ni and Zhang 2019). Since dividend payments are seen as a risk mitigator for excessive CSR expenditures, CSR disclosure combined with dividend payments is seen as an effective market mechanism to control those potential issues (Ellili 2022).

Empirical evidence supports the dual rule. The economic value of CSRD and the potentially increased earnings as a main determinant of a firm's dividend policy can lead to an expected increase in payout (de Villiers et al. 2023). We propose:

H2. *Firms with higher CSR disclosure exhibit higher dividend payout levels.*

2.2.3 | Strategic Ownership and DP (H3a)

We now consider how strategic ownership may influence the firm's decision to initiate dividend payments. Strategic investors, which may include government entities, pension funds, or employee shareholders, are commonly characterized by long-term investment horizons and mission-driven mandates. This differentiates them from transient institutional investors primarily focused on short-term returns (Hearn et al. 2025; Hellmann 2002).

Under stakeholder theory, strategic investors are expected to support sustainable governance practices and reinforce socially responsible behaviors, including fair and regular wealth distribution (Freeman 1984; Donaldson and Preston 1995; Hellmann 2002). Their influence may encourage firms to enact stable and transparent payout policies to signal credibility and consistency with sustainability commitments (Ellili 2022; Oh and Park 2021). From an agency theory lens, strategic investors may act as reputational monitors, holding managers accountable for aligning CSR commitments with external stakeholder expectations (Armstrong and Green 2013; Noe 2002). Their embedded role in corporate governance could mitigate managerial discretion over earnings retention and promote dividend payouts, especially when CSR disclosures raise expectations of accountability (Ellili 2022; Billett et al. 2015). Extant literature on this is sparse and vague. Based on the above depicted theoretical lenses, we propose:

H3a. *Strategic ownership positively moderates the relationship between CSR disclosure and the propensity to pay dividends.*

2.2.4 | Strategic Ownership and Dividend Payout Level (H3b)

In contrast to their influence on DP, strategic investors may exert a *dampening* effect on dividend payout levels. While they may support the initiation of dividends as a stakeholder-friendly practice, their long-term orientation and commitment to capital preservation often lead them to advocate for more conservative distribution policies (Ellili 2022; Oh and Park 2021; Saeed 2021). From an agency theory perspective, strategic investors are well positioned to monitor managerial decisions and curtail overdistribution of profits that could undermine financial sustainability or compromise long-term investments (Armstrong and Green 2013; Saeed 2021). As embedded stakeholders, they may prefer that a portion of firm profits be reinvested in socially and environmentally responsible projects, aligning corporate behavior with sustainability mandates (Oh and Park 2021; Saeed 2021).

Stakeholder theory similarly suggests that strategic owners balance the needs of multiple constituencies, advocating for equitable but not excessive cash distributions. Their influence supports measured payouts that maintain legitimacy and satisfy expectations without compromising future capacity for CSR commitments (Donaldson and Preston 1995; Freeman et al. 2004; Ellili 2022).

Empirical studies lend support to this dual role. Generally, Rastogi and Singh (2025) observe that active shareholders are associated with lower dividend intensity. Similarly, Ellili (2022) and Oh and Park (2021) note that firms with CSR-active profiles often limit payout levels to maintain alignment with sustainability strategies. Therefore, we propose:

H3b. *Strategic ownership negatively moderates the relationship between CSR disclosure and the level of dividend payouts.*

3 | Research Design

3.1 | Sample

The sample of this analysis consists of firms listed in the U.S. S&P 500 stock index as of December 29, 2022. The sample period covers the years 2007 to 2021, providing a sufficiently long time window to examine the effects between the investigated variables. All firm-level financial and ownership data are retrieved from LSEG (formerly Refinitiv) Datastream and Worldscope. The initial sample included 503 firms. In line with previous literature, financial, real estate, and insurance companies (SIC codes 4900–4999 and 6000–6999) were excluded due to their distinct accounting structures (Maquieira et al. 2023). Additionally, firms with negative net income were removed from the sample, following standard practice in payout studies (Shao et al. 2010). Further observations

were excluded due to missing data in the unbalanced panel. We additionally exclude firms that did not pay any dividends throughout the observation period from the second-stage analysis that investigates dividend payout ratios (DPR). The final sample includes a minimum of 3193 firm-year observations for the analysis of DP and 2361 observations for the analysis of DPR. Firms must have available data on dividend payments, ownership composition, and CSR strategy scores from LSEG to be included.

3.2 | Variables

3.2.1 | CSR Disclosure

CSR disclosure is operationalized using the CSR strategy score from LSEG. This score captures the extent to which a firm communicates a long-term CSR strategy, aligns it with operational practices, and ensures transparency around environmental and social commitments (Refinitiv 2022). The variable is normalized to range from 0 to 100, with higher values indicating stronger and more explicit CSR positioning (Issa and Bensalem 2023).

3.2.2 | Dividend Policy Variables

Dividend policy is measured using two dependent variables. First, DP is a dummy variable equal to one if the firm pays a dividend in a given year and zero otherwise. This binary indicator is consistent with the approach in Barros et al. (2023). Second, *dividend yield* (DY) is used in the second-stage analysis, which excludes firms that never pay dividends. DY is obtained from LSEG (formerly Refinitiv) and multiplied by 1000 for scaling. This practice is in line with previous studies such as Giese et al. (2019) and Almulhim et al. (2024).

As a robustness check, we also calculate the ratio of cash dividend payouts to total assets, multiplied by 1000. This metric has been adopted in related research (e.g., Oh and Park 2021; Sheikh et al. 2021) due to its advantages over earnings-based measures. In particular, it is less susceptible to earnings manipulation and avoids negative payout ratios in the case of firms with negative net income. Additionally, since DY is based on market price, the dividend-to-asset ratio may provide complementary insights into dividend behavior that are not captured through market-based measures alone (McManus et al. 2002). The use of both variables allows us to distinguish the decision to pay a dividend from the magnitude of that payment.

3.2.3 | Strategic Ownership (Moderating Effect)

Strategic ownership reflects the proportion of equity held by investors with a long-term orientation and institutional engagement. These include pension funds, government-related entities, employee stock ownership plans, investment companies, cross-shareholding firms, and other long-horizon investors. Ownership data is sourced from LSEG and is based on the Free Float Strategic Holdings dataset (code: NOSHST), which aggregates ownership information from 11 primary sources, including filings with the US Securities and Exchange Commission, the UK Register, annual and interim reports, and stock exchanges (Hearn et al. 2025).

Strategic holdings include the following categories: Pension Fund (NOSHPF), Employee (NOSHEM), Government (NOSHGV), Investment Company (NOSHIC), Cross Company (NOSHCO), and Other (NOSHOF). For an investor to be classified in one of these categories, the equity stake must constitute at least 5% of the outstanding ordinary shares (Hearn et al. 2025).

3.3 | Control Variables

Lastly, a selection of control variables is incorporated in the regressions to account for additional influences of external factors, thereby reducing potential omitted variable biases. First, a firm's logarithmized total assets are included to control for firm size. Larger firms are typically more mature and are expected to have better access to liquidity, which can positively influence their ability to distribute dividends (Buertey et al. 2024).

Second, the operating profit margin is used as a proxy for firm profitability, which is a critical determinant of dividend policy. More profitable firms are more likely to issue dividends (Hasan and Habib 2020; Cheung et al. 2018). Leverage, measured as the ratio of total debt to total assets, is added to capture the constraining effect of financial obligations on dividend payments (Krieger and Mauck 2024; Maquieira et al. 2023).

Third, growth opportunities are proxied by year-over-year sales growth, as higher growth may reduce free cash flow availability for dividends (Ni and Zhang 2019; Maquieira et al. 2023). In addition, the capital expenditures-to-revenue ratio (Capex) is included to account for internal investment needs, which may crowd out dividend payments (Maquieira et al. 2023).

Finally, cash holdings (cash-to-total assets) are included, as firms with greater liquidity are generally more capable of issuing dividends (Sheikh et al. 2021). All control variables are retrieved from LSEG and are winsorized at the 1st and 99th percentiles to reduce the influence of outliers. Year and industry fixed effects are applied in all models to account for unobserved heterogeneity due to macroeconomic trends and sector-specific dividend norms. Table 2 lists all variables with descriptions and sources.

3.4 | Regression Model

To test our hypotheses, the following model is applied as fixed-effects regression analyses:

1. Corporate dividend regression model

$$Corporate\ dividends_{i,t} = \beta_0 + \beta_1 CSR\ STRATEGY\ SCORE_{i,t-1} + \Sigma\ Controls_{i,t-1} + \Sigma\ \mathrm{IFE} + \Sigma\ \mathrm{YFE} + \varepsilon_{i,t}$$

TABLE 2 | Overview of variables.

Variable	Description	Source
DP	Dummy variable for dividend payments that is 1 for years where corporations pay dividends and otherwise 0	—
DY	Dividend yield as available on Refinitiv, winsorized at 1% and 99% level, multiplied with factor 1000	DY
DPR_TA	Dividend-to-total assets payout ratio including total cash dividends (common and preferred) paid out to shareholders of the company (excl. dividends to minority shareholders), $DPR\_TA = \frac{\text{Cash dividends paid total}}{\text{Total assets}}$, used in robustness test (see Table 6), both winsorized at 1% and 99% level	Cash dividend paid total: WC04551 Total assets: WC02999
CSR strategy score	Refinitiv score which reflects a company's disclosure on the CSR strategies considered in the decision-making processes, 1-year lag	TRESGCGVSS
ESG score	Environmental, social and governance score accounting from 0 to 100, extracted from Refinitiv Eikon, used in robustness test (see Table 5), 1-year lag	TRESGS
Strategic holdings	Percentage of shares hold by strategic investors and, therefore, shares that are not available for ordinary investors, metric available on Refinitiv, 1-year lag	NOSHST
Firm size	Total assets, winsorized at 1% and 99% level, 1-year lag, logarithmized	WC02999
Operating profit margin	Operating profit margin, Annual profitability ratio collected from Refinitiv, $\text{OPM} = \frac{\text{Operating income}}{\text{Net Sales or revenues}} \times 100$, winsorized at 1% and 99% level, 1-year lag	WC08316
Leverage	Debt-to-assets ratio (D/A), calculated as $\text{Leverage} = \frac{\text{Total debt}}{\text{Total assets}}$, both winsorized at 1% and 99% level, 1-year lag	Total debt: WC08736 Total assets: WC02999
Growth	Sales growth year-over-year in %, calculated as $Growth_{\text{YoY}} = \left(\frac{\text{Net sales}_t}{\text{Net sales}_{t-1}} - 1\right) \times 100$, winsorized at 1% and 99% level, 1-year lag	Net sales: WC01001
Capex	Capital expenditures-to-revenue ratio, capital expenditures as funds used to acquire fixed assets, $\text{Capex} = \frac{\text{Capital expenditure}}{\text{Revenue}}$, winsorized at 1% and 99% level, 1-year lag	Capital Expenditures: WC04601 Revenue: WC01001
Cash	Cash holding ratio, money available for normal operations of the company, $\text{Cash} = \frac{\text{Cash}}{\text{Total assets}}$, winsorized at 1% and 99% level, 1-year lag	WC02003

Note: This overview outlines the variables used in the analyses. In addition, the table provides a description and the data origin in Refinitiv Datastream if applicable.

1. Moderating effect model

$$\begin{aligned} Corporate\ dividends_{i,t} = {} & \beta_0 + \beta_1 CSR\ STRATEGY\ SCORE_{i,t-1} \\ & + \beta_2 Strategic - Inv_{i,t-1} \\ & + \beta_3 CSR\ STRATEGY\ SCORE_{i,t-1} \\ & \times Strategic - Inv_{i,t-1} + \Sigma\ Controls_{i,t-1} \\ & + \Sigma\ \text{IFE} + \Sigma\ \text{YFE} + \varepsilon_{\text{i,t}} \end{aligned}$$

For the baseline model (1), corporate dividends—measured as DP for H1 and DY for H2—are regressed on the CSR strategy score and the previously described control variables. For the moderating effect model (2), the interaction between CSR strategy score and strategic ownership is included, in addition to their individual effects. Year-fixed effects (YFE), industry-fixed effects (IFE), and an error term (ε) are incorporated in all regression specifications. All financial variables are winsorized at the 1% and 99% levels to reduce the influence of outliers (Ni and Zhang 2019).

A fixed effects regression approach is employed to address the risk of bias from unobserved, time-invariant firm characteristics (Wooldridge 2013). The model choice is justified by several postestimation diagnostics. The Breusch–Pagan Lagrange Multiplier test confirms the need for a panel data structure to account for heteroskedasticity concerns, in line with best practices in the field (Maquieira et al. 2023). Additionally, the Hausman test supports the use of fixed effects over random effects, confirming the consistency and efficiency of the chosen estimator.

To assess the robustness of the regression results, variance inflation factors (VIF) are computed. VIF values range from 1.19 to 1.22 in the main regression and from 1.79 to 1.97 in the interaction model, remaining below the commonly accepted thresholds of 10 (Wooldridge 2013), thereby ruling out serious multicollinearity concerns.

In line with previous CSR-dividend studies (e.g., Ellili 2022), the dependent variables are included in lagged form to mitigate risks of autocorrelation and reverse causality. Robust standard errors, based on the Huber–White sandwich estimator, are used to account for heteroscedasticity and serial correlation (Wooldridge 2013). All estimations are conducted using STATA version 18.0.

4 | Results

4.1 | Descriptive Analyses

Table 3 presents descriptive statistics for all variables included in the analysis. It reports the number of firm-year observations, as well as the mean, standard deviation, minimum, and maximum values. The average CSR strategy score is 47.49, with values spanning from 0 to nearly 100, reflecting considerable variation in the degree of CSR disclosure across S&P 500 firms. Notably, the DY variable is scaled by a factor of 1000 to improve interpretability. This leads to a maximum reported value of 6020, which would otherwise appear unusually high without the scaling adjustment.

The Pearson correlation matrix, also shown in Table 3, reveals statistically significant correlations between key variables. In particular, DP and DY are both significantly correlated with several firm-level attributes, including profitability, size, and CSR strategy score. Most correlations are significant at the 1% level, indicating strong associations between the main constructs of interest.

4.2 | Regression Analysis

Table 4 presents the core regression findings of this study. In column (1), a positive and statistically significant relationship is observed between the CSR strategy score and DP, with a coefficient of $\beta = 0.002$ ($p < 0.01$). This supports H1, indicating that firms with higher CSR disclosure are more likely to pay dividends.

Column (3) examines the association between CSR disclosure and DY, yielding a similarly positive and significant result ($\beta = 3.969$, $p < 0.01$). Since the DY variable is scaled by a factor of 1000, this result implies a meaningful increase in DY for CSR-active firms among those already paying dividends (DP)—providing empirical support for H2.

The moderation analyses in Columns (2) and (4) reveal a more nuanced picture. Column (2) shows that the interaction between CSR disclosure and strategic ownership has a small but positive effect on DP ($\beta = 0.0002$, $p < 0.1$). Although only statistically marginal, this effect aligns with expectations, suggesting that strategic investors may slightly reinforce CSR-driven dividend

TABLE 3 | Descriptive statistics and correlation analysis.

Variables	Obs	Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9	10
(1) DP	4957	0.780	0.414	0.000	1	1									
(2) DY	4931	1698.025	1479.96	0.000	6020	0.607*	1								
(3) CSR strategy score	4957	47.491	35.697	0.000	99.97	0.352*	0.407*	1							
(4) Strategic holdings	3641	15.679	11.894	5.000	93	−0.117*	−0.140*	−0.159*	1						
(5) Firm size	4957	16.449	1.257	13.740	19.435	0.336*	0.434*	0.548*	−0.122*	1					
(6) Operating profit margin	4957	17.966	10.476	−20.390	71.98	−0.052*	−0.023	0.008	−0.025	−0.002	1				
(7) Leverage	4957	0.289	0.211	0.000	3.81	0.119*	0.137*	0.096*	0.011	0.072*	0.098*	1			
(8) Growth	4700	7.356	15.688	−40.131	66.607	−0.237*	−0.273*	−0.125*	0.060*	−0.141*	0.034	−0.043*	1		
(9) Capex	4957	0.082	0.122	0.001	2.698	0.091*	0.163*	0.111*	−0.058*	0.190*	0.190*	0.076*	−0.005	1	
(10) Cash	4542	0.099	0.098	0.000	0.711	−0.239*	−0.288*	−0.158*	0.089*	−0.340*	0.108*	−0.137*	0.180*	−0.237*	1

Note: This table presents the summary statistics (namely, number of firm-year observations, mean, standard deviation, minimum, and maximum) for the sample after preliminary data preparation. Since firm-year observations are excluded due to the unbalanced sample and the elimination of nonpayers in the analysis for H2 and H3b, the observations included in the regressions may differ. This table also depicts the Pearson correlation matrix of the variables.
*$p < 0.01$.

TABLE 4 | Regression results for dividend propensity and dividend yield.

	(1)	(2)	(3)	(4)
Variables	**DP**	**DP**	**DY**	**DY**
CSR strategy score	0.002***	0.00085**	3.969***	6.066***
	(0.000)	(0.000)	(0.789)	(1.316)
Strategic holdings		−0.00286***		9.074**
		(0.001)		(4.521)
CSR strategy score × Strategic holdings		0.00002*		−0.200***
		(0.000)		(0.073)
Firm size	0.065***	0.06324***	287.006***	207.705***
	(0.007)	(0.009)	(23.675)	(29.884)
Operating profit margin	0.004***	0.00503***	−1.918	−0.749
	(0.001)	(0.001)	(2.770)	(3.367)
Leverage	0.064**	0.08409**	−117.014	−114.158
	(0.028)	(0.039)	(91.021)	(148.717)
Growth	−0.002***	−0.00161***	−6.720***	−5.564***
	(0.000)	(0.000)	(1.488)	(1.715)
Capex	−0.217***	−0.25228***	−1559.110***	−1946.115***
	(0.066)	(0.076)	(392.920)	(493.353)
Cash	−0.206***	−0.22596**	−458.128*	−449.190
	(0.075)	(0.088)	(256.497)	(298.956)
Constant	−0.418***	−0.35727**	−2544.813***	−1357.642***
	(0.115)	(0.150)	(387.531)	(481.368)
Observations (*N*)	4379	3193	3398	2361
Year; industry FE	Yes	Yes	Yes	Yes
Mean variance inflation factor (VIF)	1.22	1.79	1.19	1.97
R^2-adjusted	0.593	0.599	0.548	0.561

Note: Main regression analysis. Robust standard errors in parentheses.
*$p < 0.1$.
**$p < 0.05$.
***$p < 0.01$.

initiation. Hence, H3a, which anticipated a positive moderation, is supported.

In contrast, Column (4) shows a strong and statistically significant negative interaction between CSR disclosure and strategic ownership in predicting DY ($\beta = -0.200$, $p < 0.01$). After accounting for the DY scale, this result supports H3b, indicating that strategic investors dampen the level of dividends paid by CSR-active firms, likely to preserve resources for long-term sustainability objectives.

Control variables display consistent and interpretable effects. Firm size is positively associated with both DP and DY. Profitability and leverage increase the likelihood of DP, but do not significantly affect DY. Growth and Capex are negatively associated with both payout measures, while cash holdings are negatively related in most models—contrary to expectations, suggesting that firms with more liquidity may retain cash for internal investments rather than distribute it.

The adjusted R^2 values range from 0.548 to 0.599, indicating moderate-to-strong explanatory power across models. These values are consistent with recent studies on CSR and payout policy, such as Bilyay-Erdogan et al. (2023) and Maquieira et al. (2023), and are considered robust for this research context.

4.3 | Robustness Tests

We conducted several robustness tests using alternative model specifications and variable definitions to validate the core

TABLE 5 | ESG score as independent variable.

	(1)	(2)	(3)	(4)
Variables	**DP**	**DP**	**DY**	**DY**
ESG Score	0.003***	0.00294***	8.832***	9.157***
	(0.000)	(0.001)	(1.476)	(2.348)
Strategic holdings		−0.00247		7.643
		(0.002)		(7.372)
CSR strategy score × Strategic holdings		0.00002		−0.150
		(0.000)		(0.123)
Firm size	0.058***	0.05650***	270.759***	198.654***
	(0.007)	(0.009)	(24.306)	(30.437)
Operating profit margin	0.004***	0.00477***	−2.088	−1.005**
	(0.001)	(0.001)	(2.768)	(3.374)
Leverage	0.072**	0.08434**	−92.853	−76.659
	(0.028)	(0.039)	(90.424)	(149.730)
Growth	−0.002***	−0.00150***	−6.536***	−5.510***
	(0.000)	(0.000)	(1.488)	(1.716)
Capex	−0.186***	−0.22428***	−1499.736***	−1876.913***
	(0.065)	(0.075)	(392.615)	(493.803)
Cash	−0.205***	−0.23862***	−445.153*	−398.143
	(0.075)	(0.088)	(254.501)	(299.015)
Constant	−0.426***	−0.37284**	−2590.854***	−1438.400***
	(0.115)	(0.150)	(378.706)	(484.506)
Observations (*N*)	4379	3193	3398	2361
Year; industry FE	Yes	Yes	Yes	Yes
Mean variance inflation factor (VIF)	1.22	2.88	1.20	3.37
R^2-adjusted	0.596	0.602	0.550	0.559

Note: Results of the robustness test applying the ESG score as an independent variable. Robust standard errors in parentheses.
*$p < 0.1$.
**$p < 0.05$.
***$p < 0.01$.

findings. First, we replaced the CSR strategy score with an alternative measure—the ESG Score from Refinitiv Eikon. Table 5 shows that this alternative measure of CSR disclosure continues to exhibit a positive and significant association with both DP ($\beta = 0.003$, $p < 0.01$) and DY ($\beta = 8.832$, $p < 0.01$), supporting H1. We also tested the moderating role of strategic ownership using this alternative ESG score. Columns (2) and (4) of Table 5 reveal no significant moderating effects. These results suggest that strategic ownership does not significantly alter the relationship between ESG disclosure and either DP or yield in this setting. Therefore, the results lead us to reject H3a and H3b for this alternative specification.

Next, we tested the robustness of our dependent variable in the second model by replacing DY with the dividend-to-total-assets ratio (DPR_TA). This substitution, following Sheikh et al. 2021, reduces the risk of earnings manipulation. Table 6 confirms that CSR disclosure still positively relates to dividend payouts and that strategic ownership continues to negatively moderate this relationship, again supporting H3b.

Finally, we addressed endogeneity concerns by conducting two-stage least squares (2SLS) regressions. Following Krieger and Mauck (2024), we used the industry median CSR score and the firm's initial CSR level as instruments, consistent with prior applications (Cheung et al. 2018; Sheikh et al. 2021). In the first stage, we regressed CSR disclosure on these instruments along with the control variables and fixed effects. In the second stage, we regressed the predicted CSR values on the dividend outcome variables. Table 7 presents the 2SLS results for DP. The CSR variable remains positively associated with DP, and the interaction term between CSR and strategic ownership remains positive

and significant. Column (3) of Table 7 confirms this moderating effect, consistent with Table 4. Thus, we find support for H3a in the 2SLS model.

Table 8 displays the 2SLS results for DY. The CSR disclosure variable remains a significant positive predictor, supporting H2. The interaction effect between CSR and strategic ownership remains negative and significant, reaffirming H3b. These findings suggest that our core results remain robust to endogeneity concerns.

5 | Discussion

5.1 | Contributions to Theory Application

This study contributes to the CSR and corporate governance literature in several ways. First, we provide empirical evidence that reframes *dividends not merely as financial signals* but as instruments of stakeholder-aligned wealth distribution. In doing so, we respond to recent calls for integrating distributive justice and accountability into financial governance (Clarkson 1995; Dahiya et al. 2023; Sheikh et al. 2021).

Second, we deepen theoretical understanding of how *ownership structure shapes the sustainability–finance nexus*. Specifically, we identify strategic investors as critical actors who influence how CSR strategies translate into financial policies. Our findings show that these investors support dividend issuance among CSR-active firms but constrain payout levels—suggesting a dual logic of social legitimacy and financial stewardship. This dynamic adds nuance to both agency and stakeholder theory, highlighting a governance mechanism rooted in long-term alignment rather than short-term discipline or broad stakeholder appeasement alone (Donaldson and Preston 1995; Freeman 1984).

Third, we contribute to the debate on *CSR performance* versus *disclosure*. By using CSR strategy scores, we focus on explicit managerial commitments and communication, clarifying how declared CSR priorities interact with financial behavior under varying ownership regimes.

Fourth, we connect agency and stakeholder theory by showing how both logics are simultaneously active—yet differently weighted—across the dividend decision process. While stakeholder theory helps explain the positive association between CSR disclosure and DP, agency theory better accounts for the dampening effect of strategic investors on payout levels. This tension reinforces the need for integrative governance frameworks that recognize investor heterogeneity and the coexistence of symbolic and disciplinary functions within financial policy. Our findings suggest that dividend policy is not just a tool of value distribution but a contested arena in which competing expectations of sustainability, prudence, and accountability are negotiated.

Fifth, we address a key *geographic* and contextual gap in the literature by offering evidence from US firms. Prior research has often focused on Asian or emerging markets (Badru and Qasem 2024; Ellili 2022; Oh and Park 2021). Given the size and influence of the US capital market, this context-specific analysis advances generalizability and theory testing in an economically significant setting.

TABLE 6 | Dividend-to-total-assets ratio as dependent variable.

	(1)	(2)
Variables	**DPR_TA**	**DPR_TA**
CSR strategy score	0.087***	0.109***
	(0.020)	(0.032)
Strategic holdings		0.213*
		(0.117)
CSR strategy score × Strategic holdings		−0.003*
		(0.002)
Firm size	−2.499***	−3.483***
	(0.685)	(0.855)
Operating profit margin	0.756***	0.781***
	(0.077)	(0.091)
Leverage	2.551	−0.016
	(2.831)	(4.665)
Growth	0.048	0.063
	(0.039)	(0.040)
Capex	−33.018***	−36.338***
	(5.996)	(7.171)
Cash	40.099***	29.726**
	(8.649)	(9.659)
Constant	57.220***	71.832***
	(11.594)	(14.805)
Observations (N)	3410	2361
Year; industry FE	Yes	Yes
Mean variance inflation factor (VIF)	1.19	1.97
R^2-adjusted	0.488	0.496

Note: Results of the robustness test with dividends-to-total-assets as the dependent variable. Robust standard errors in parentheses.
*$p < 0.1$.
**$p < 0.05$.
***$p < 0.01$.

Sixth, we enrich ongoing discussions on the *normative role of investors in CSR* governance. By linking strategic ownership to dividend behavior, we shed light on how investors can simultaneously serve as agents of financial discipline and champions of sustainability-oriented accountability.

5.2 | Contributions to Methodology

We also make several methodological contributions. First, our use of both DP and DY as dependent variables allows for a *disaggregated view of payout policy*—separating the likelihood of DP from the magnitude of those payments.

TABLE 7 | Dividend propensity with 2SLS model.

	(1)	(2)	(3)
	2SLS	2SLS first stage	2SLS second stage
Variables	**DP**	**CSR strategy score**	**DP**
CSR strategy score	0.003***		0.00290***
	(0.000)		(0.001)
Initial CSR strategy score		0.422***	
		(0.015)	
Industry-Median CSR strategy score		0.382***	
		(0.029)	
Strategic holdings			−0.00311***
			(0.001)
CSR strategy score × Strategic holdings			0.00003***
			(0.000)
Firm size	0.037***	9.421***	0.03607***
	(0.009)	(0.415)	(0.012)
Operating profit margin	0.005***	−0.108**	0.00524***
	(0.001)	(0.049)	(0.001)
Leverage	0.055**	1.849	0.07393*
	(0.028)	(2.027)	(0.039)
Growth	−0.002***	−0.040*	−0.00142***
	(0.000)	(0.024)	(0.000)
Capex	−0.200***	−10.016***	−0.23299***
	(0.059)	(4.106)	(0.073)
Cash	−0.248***	16.539***	−0.26477***
	(0.073)	(4.756)	(0.089)
Constant	−0.099	−134.644***	−0.01011
	(0.141)	(6.941)	(0.176)
Observations (*N*)	4379	4379	3193
Year; industry FE	Yes	Yes	Yes
Mean variance inflation factor (VIF)	3.62	1.20	1.58
R^2-adjusted	0.581	0.680	0.601

Note: Results of the 2SLS model for the DP. Column (1) depicts the outcomes of the ordinary 2SLS regression. Columns (2) and (3) show the moderated 2SLS regression, where the first stage regression, including the CSR strategy score regressed on the two instruments as well as control variables and fixed effects, is depicted in column (2). In the second stage, DP as the dependent variable is regressed on the predicted value of the CSR strategy score. Robust standard errors are in parentheses.
*$p < 0.1$.
**$p < 0.05$.
***$p < 0.01$.

Second, we employ a comprehensive set of *robustness checks*, including alternative proxies for CSR disclosure (ESG score), alternative payout metrics (dividends-to-assets), and 2SLS regression to address endogeneity. These approaches enhance the credibility of our findings and provide a methodological template for future CSR–governance studies (Cheung et al. 2018; Krieger and Mauck 2024; Sheikh et al. 2021).

Third, we introduce a refined *measure of strategic ownership* using LSEG's Free Float Strategic Holdings dataset, operationalized across multiple ownership categories (e.g., pension funds, government, employee stock). This enables more precise estimation of long-horizon investor effects in sustainability-oriented governance, which remains an underdeveloped empirical domain (Goranova and Ryan 2022; Hearn et al. 2025).

TABLE 8 | Dividend yield with 2SLS model.

	(1)	(2)	(3)
	2SLS	2SLS first stage	2SLS second stage
Variables	**DY**	**CSR strategy score**	**DY**
CSR strategy score	13.718***		14.126***
	(1.947)		(2.726)
Initial CSR strategy score		0.400***	
		(0.017)	
Industry-median CSR strategy score		0.427***	
		(0.033)	
Strategic holdings			4.588
			(3.739)
CSR strategy score × Strategic holdings			−0.093*
			(0.056)
Firm size	157.106***	8.897***	97.282***
	(32.829)	(0.529)	(39.120)
Operating profit margin	0.121	−0.158***	0.535
	(2.818)	(0.061)	(3.375)
Leverage	−156.332	3.579	−129.199
	(98.304)	(2.585)	(146.825)
Growth	−6.280***	0.002	−5.267***
	(1.471)	(0.027)	(1.723)
Capex	−1500.823***	−9.663**	−1869.273***
	(364.779)	(4.147)	(481.780)
Cash	−821.486***	36.299***	−697.253**
	(264.641)	(6.214)	(313.442)
Constant	−2367.581***	−128.258***	27.178
	(707.427)	(8.934)	(556.710)
Observations (*N*)	3400	3410	2361
Year; industry FE	Yes	Yes	Yes
Mean variance inflation factor (VIF)	3.87	1.19	1.60
R^2-adjusted	0.523	0.661	0.564

Note: This table presents the results of the 2SLS model for the DY. Column (1) depicts the outcomes of the ordinary 2SLS regression. Column (2) and (3) show the moderated 2SLS regression, where the first stage regression, including the CSR strategy score regressed on the two instruments as well as control variables and fixed effects, is depicted in column (2). In the second stage, DY as the dependent variable is regressed on the predicted value of the CSR strategy score. Robust standard errors are in parentheses.

*$p < 0.1$.

**$p < 0.05$.

***$p < 0.01$.

5.3 | Contributions to Practitioners

This study offers several actionable insights for corporate managers, investors, and governance professionals. First, our findings emphasize the importance of *tailoring dividend policies to reflect the expectations of heterogeneous investor groups*. On the one hand, managers should recognize that CSR disclosure and dividend payments are not mutually exclusive. Instead, high levels of CSR transparency appear to increase the likelihood and size of dividends—thereby aligning sustainability communication with tangible shareholder rewards (Krieger and Mauck 2024; Barros et al. 2023). On the other hand, for shareholders—particularly, those relying on stable dividend income such as pensioners or income-focused funds—our results suggest that investing in

CSR-active firms does not entail a trade-off in payout levels. On the contrary, CSR transparency seems to signal stronger governance and competitive positioning, which supports consistent dividend distribution (Buertey et al. 2024; El Ghoul et al. 2018). This insight refutes concerns that sustainability investments inevitably reduce financial returns, a belief still common among smaller firms or skeptics of CSR efficacy (Gelbmann 2010). By that, our study's findings underline the importance of managers resisting the influence of ESG rollbacks currently taking place in Europe and the U.S. (e.g., Reuters Media 2025) and instead should acknowledge the advantages of CSR disclosure.

Second, strategic investors must consider that their long-term goals and financial stewardship can influence not just governance structures but also *financial policies*. Even if some may accept lower capital returns in exchange for broader ESG impact, they operate within ecosystems of other investors who prioritize income stability (Buertey et al. 2024; Hearn et al. 2025; Hellmann 2002).

Third, our study suggests that the *presence of strategic ownership requires careful managerial balancing*. Although the moderation effects are partially insignificant, certain trends—such as strategic owners dampening DYs—indicate nuanced investor expectations. Managers should remain aware that different investor types may value different forms of accountability and prefer distinct resource allocation strategies, particularly, when CSR visibility is high.

Fourth, these insights encourage firms to treat dividend policy as *more than a financial decision*. It becomes a communication tool that reinforces or contradicts the firm's broader commitment to sustainability and long-term value creation.

5.4 | Limitations and Recommendations for Future Research

This study is not without limitations, which offer pathways for further research. Table 9 depicts an overview of the following limitations and research recommendations: First, we rely solely on data from LSEG, including the CSR strategy score and strategic ownership indicators. While these measures are well-established and used in prior studies (Hearn et al. 2025; Barros et al. 2023), they may not fully capture qualitative aspects of CSR, such as the credibility or implementation of disclosed strategies. Future research could draw on alternative CSR datasets or hand-collected data to enhance construct validity and detect potential greenwashing.

Second, our analysis is limited to S&P 500 firms in the United States. These are large, publicly listed corporations operating in a mature capital market. As a result, our findings may not generalize to smaller firms, privately held companies, or firms in emerging economies. Studies such as Sheikh et al. (2021), Badru and Qasem (2024) and Kunkel et al. (2025) suggest that ownership types and institutional environments differ substantially across contexts. Future studies should examine how CSR-dividend dynamics vary across governance systems, market maturities, and regulatory regimes.

Third, although we apply agency and stakeholder theory, future research could explore other conceptual frameworks. One promising direction is the dual responsibility theory (Al-Shammari et al. 2022), which integrates financial and ethical obligations in dividend governance. Likewise, stakeholder-agency theory could provide a lens for analyzing the relationship between CSR and dividends, not merely as a substitution effect (as suggested by agency theory), but as a balancing mechanism through which managers address the often competing demands of diverse shareholder groups (Hill and Jones 1992). In addition, future studies might explore combinations of signaling theory and behavioral finance to understand how managers navigate CSR and payout trade-offs under different performance pressures.

Fourth, we do not distinguish among different subtypes of strategic investors. Our aggregated measure may mask important differences between, for example, state ownership, employee stock holdings, and cross-holdings. Each may carry distinct governance implications. Future studies should identify databases that better disaggregate strategic ownership and analyze how

TABLE 9 | Categorization of limitations and research recommendations.

Type	Issue	Possible research questions for future studies
A. Methodology	Limited CSR metrics	Which CSR metrics do most affectively capture the qualitative aspects of CSR?
	Restricted sample	How does the influence may look like in SMEs or emerging markets?
B. Content-related	Theory selection	Which alternative conceptual frameworks might be suitable to describe the discussed relations?
	Heterogeneity of (strategic) investors	Do different types of strategic investors (e.g., pension funds, employee stockholders) have distinct preferences for the CSR-dividend relationship?
	Focus on cash dividends	How do CSR disclosure and strategic investors influence the use of stock buybacks, stock splits, or equity-based executive compensation?

Note: Limitations of the study as well as derived potential avenues for future research. For more detailed elaborations, please refer to Chapter 5.4 of this study.

different long-term investors—such as pension funds, sovereign wealth funds, or sustainable investment vehicles—moderate the CSR–dividend relationship (Barroso Casado et al. 2016).

Fifth, while we focus on cash dividends, future research should expand the analysis to other shareholder-oriented instruments such as share repurchases, stock splits, or executive equity compensation. These financial policies may interact differently with CSR commitments, especially under varying investor demands (Bilyay-Erdogan et al. 2023; Lueg and Pesheva 2021; Schuhmacher et al. 2022). Overall, these suggested extensions may help investors, boards, and regulators better integrate CSR priorities into fair and transparent capital distribution policies.

6 | Conclusion

This study provides new insights into how CSR disclosure interacts with dividend policy under the influence of strategic investors. Our results challenge the assumption that sustainability and shareholder rewards are inherently in conflict. Instead, we show that CSR-active firms in the United States are both more likely to issue dividends and to do so at higher levels—especially when they are transparent about their sustainability strategies. At the same time, we demonstrate that strategic investors play a nuanced role: they support dividend initiation but temper dividend magnitude, reflecting a dual logic of accountability and financial prudence.

These findings reinforce the relevance of stakeholder-aligned financial policies and suggest that dividend policy can serve as a mechanism of distributive sustainability. Conceptually, the study advances agency and stakeholder theory by integrating insights about investor heterogeneity and long-term alignment. Methodologically, it offers a robust framework for examining CSR–finance linkages using panel data, multiple dependent variables, and endogeneity controls.

In practical terms, we encourage firms to treat dividend policy not only as a financial tool, but as part of a broader sustainability strategy. Strategic investors, regulators, and sustainability-focused stakeholders alike should consider dividends a visible and interpretable signal of governance commitment and ethical value distribution. Future research should explore how these dynamics evolve across institutional settings and as ESG regulations and investor priorities continue to mature.

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