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Social Responsibility, Dividend Policy and Financial Performance: A Literature Review

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Abstract:

Purpose: This paper focused on investigating the topic that is least discussed in relation to CSR, dividend policy and financial performance. This paper aims at providing the readers with a comprehensive understanding of CSR, dividend policy and CFP by reviewing the main theories and explanations of its.

Design/Research method: The method used in this paper is literature review. Literature sources used 11 studies published between journal articles from 2012-2019.

Finding: This paper reaches the conclusion if several studies having shown that confirms a positive relationship between CSR and CFP also dividend payout. But others have suggested that the relationship is neutral or even negative

Limitation: The relationship between CSR performance, dividend policy and CFP has received a high degree of attention in research and the results are still contradictory. There are not many articles having written about CSR in Indonesia.

Implication: CSR performance improves CFP, our article integrates prior research studying this relationship and identifies the potential factors that may have played a role in the apparent inconsistent results observed to date.

Keywords: Corporate social responsibility, dividend policy, corporate financial performance

1. Introduction

In several last years, there has been a big evolution in Corporate Social Responsibility (CSR), especially in the way the company started to approach CSR as a new strategy to improve their image and to reach competitive advantage; this can increase the corporate value as highlighted by Robinson et.al. (2011). Literatures on CSR have shifted from focusing on the relationship between CSR and the corporate financial performance, such as Margolis and Walsh (2003) who analyze 127 studies published in three last decades (1972-2002) and find that the majority (55 percentages) of the result shows a positive relationship between CSR and the corporate financial performance, Van Beurden and Gossling (2008) who also commonly conclude the same result by reviewing 24 studies using meta-data analysis. Besides, several CSR literatures lead to other topics relevant to the firm finance, such as the impact of CSR on capital expense (El Ghouli et.al., 2011; Cajias et.al., 2014), the relationship between CSR and debt maturity (Benlemlih, 2014), CSR and capital structure (Girerd-Potin et al., 2011), and the relationship between CSR and information asymmetry (Dhaliwal et.al., 2011; Lu and Chueh, 2015).

This article is related to the existing literatures. Indeed, most of the previous studies focused on the value creation in relation to the high CSR involvement (such as Margolis and Walsh, 2003; Orlitzky et.al., 2003). This paper aims at providing comprehensive understanding about CSR, dividend policy, and corporate financial performance by reviewing the major theory and its explanations. A company does not only operate for the benefit of shareholders, but also for the social benefit. Seen from the economic point of view, a company is expected to reach its profit as much as possible. But seen from the social point of view, a company should give direct contribution to the society or nowadays it is called corporate social responsibility (CSR).

In Indonesia, CSR is a must for all registered companies and it is regulated in the Acts No. 40 of 2007. Although the acts does not require the companies to spend the amount of their income for CSR activities, companies with big impact on environment must allocate 1-3 percentages of income for environment improvement and business partnership with the society (Shauki, 2011; Hermawan and Mulyawan, 2014). Transparency disclosed is not only the corporate financial information, but it is also expected to contain any information about the social and environmental effects due to the industrial practice of the company (Rakhiemah, 2009). CSR activities such as corporate social activities contained in the corporate social disclosure have effects and positive relation to the corporate financial performance in many kinds of different perspectives.

According to Horne & Wachowicz, (2012) CSR is a business review that acknowledges the corporate responsibility to the stakeholders and the natural environment. A company is not only charged to have orientation on business profit alone, but it is also expected to give contribution on the stakeholders to maintain the firm survival. 'According to the enterprise theory approach, the corporate stakeholder is not only a media to prosper the owner but also to prosper its social environment. Therefore, the corporate responsibility does not only belong to the shareholders but also entirely belongs to the employees, creditors, customers, government, environment, and the common society' (Soetedjo, 2009).

In the perspective legitimacy it depends on a premise saying that there is a 'social contract' between a company and the society. Social contract is a way to explain a large number of the society's hope about how an organization should carry out its operations. This requires the companies to be responsive to the environment in which they operate (Deegan, 2004). According to Legitimacy Theory, a company will keep on continuing its existence if the society realizes that an organization operates for the value system balanced with the social value itself (Chariri & Ghazali, 2007).

The sustainability of a business resulted from the corporate financial policy does not only focus on the dividend, but it has received the strong support in financial literature. For instance, DeAngelo and DeAngelo (2006) show that even in Miller-Modigliani's world, dividend policy is actually relevant, and the optimal policy is paying the present value from the full free cash flow. Thus, they formulate as follows: 'In the early years, the investment chance of a company commonly goes beyond their ability to produce the internal capital, therefore, the company increase its equity outside and does not pay the dividend. In the next year, the company's ability to produce internal the internal equity goes beyond the investment chance and it gives benefit to them and the problem of agency show up so that the company pays the dividend and rebuys the share to decrease the chance of wasting free cash flow.'

This paper focused on investigating a topic in relation to CSR those are dividend policy and corporate financial performance, although there have been some researches on CSR about corporate financial sector (Rakotomavo, 2012; Hasan and Habib, 2017), and also a relationship between CSR investment and dividend policy (Rakotomavo, 2012; Benlemlih, 2014). Therefore, this research will review the literature of a relationship between CSR and dividend policy and corporate financial performance. Furthermore, it is important to explore these issues in Indonesia because CSR has been a must of Indonesian Law currently. The rest of this article is formulated as follows. In the next chapter, we develop our theoretical argument for the relationship between CSR and dividend policy and corporate financial performance and our major hypothesis. In chapter three, we present data and design of research. The fourth chapter discusses the major result of research and we make conclusion in the last chapter.

2. Literature Review and Hypotheses Development

2.1. Corporate Social Responsibility (CSR)

Corporate Social Responsibility is the commitment of a company to contribute on the economic development by paying concern on the corporate social responsibility and the balance among economic, social, and environmental aspects (Cecelia et al., 2015). For several last decades, some researches have paid great concern on CSR. Therefore, it has been a prominent concept in management literature (de Bakker et al., 2005; Dobers, 2009; Nejati & Ghasemi, 2012). Besides theoretical aspect, the company has also become more active in involving CSR in practice (Dahlsrud, 2008; McWilliams, Siegel, & Wright, 2006). The supporting strength behind this is the increase in costumers who are sensitive to environment requiring sustainable product and service and more environmentally friendly (Gauthier, 2005; Van Beurden & Gössling, 2008). Despite many literatures on CSR, there is still no integrated and right definition yet (Scherer & Palazzo, 2007; Wood, 2010). Thus, CSR does not mean the same thing for everyone (Van Marrewijk, 2003). Wood (2010) thinks that it is because CSR is difficult to be conceptualized. Talaei and Nejati (2008) also claim that the lack of clear conceptual limitation has resulted in various definitions. In relation to this claim, some writers (such as Lozano, 2008; Orlitzky, Siegel, & Waldman, 2011; Van Beurden & Gössling, 2008) believe that the lack of clear definition makes it difficult to make an empiric study to CSR.

Stakeholder theory (Freeman 1984) states that a company should satisfy all the legitimate stakeholders, not only the shareholders; the stakeholders can affect and/or be affected by the corporate objectives achievement. Investment in CSR is a form of direct or indirect payment to many stakeholders. Many things can be done by the company as a form of social responsibility to the social environment, such as charity giving, voluntary program, support for local housing are several ways a company pays the local community. Pollution prevention costs, recycling efforts, the use of alternative fuels are the indirect payment to the wide society. Stakeholder theory states that a company is not an entity that only operates for its own interest, but it also should pay concern on the stakeholder's (Ghozali and Chariri, 2007). This is because the life sustainability of a company depends on the support given by its stakeholders. The emergence of stakeholder theory is caused by a state (of law) that prioritizes the benefit of the stakeholders and vice versa, makes the second the benefit of the suppliers, customers, employees, and the surrounding society. Basically the disclosure of corporate social responsibility aims at showing to the surrounding society the social activities carried out by the company and its effects on the society.

Legitimacy theory states that organization continuously keeps trying to convince that they carry out activities based on the limitation and norms of the society where they are (Rawi, 2010), organization should not only be seen as paying concern on the investor's rights but commonly it should also pay concern on the public rights (Deegan and Rankin, 1997). Legitimacy theory is very useful in analyzing the organizational behavior because legitimacy is an important thing for an organization, the limitations emphasized by social norms and values, and reactions on the limitations lead to the importance of organizational behavior analysis by regarding the environment (Ghozali and Chariri, 2007). In its trial to get a legitimacy, the company conducts social and environmental activities having accounting implication on the reporting and disclosure in the company annual report through published social and environmental reporting. Thus, legitimacy can be said as the benefit or potential source for the company to survive (O'Donovan, 2002).

Despite the lack of clear definitions, all definitions contradicting to CSR agree on one thing, that a company should meet the society's hope when planning their environmental management strategy (Gossling & Vocht, 2007). According to Van Beurden and Gössling (2008), CSR answers the uncertainty that should be faced by a business company in social context from dynamic, global, and technologic business arena that we see today. In a famous definition of CSR by Carroll

(1979), CSR is a social responsibility of a business covering expectations of economy, law, ethics, and policies owned by the society to an organization at a certain point in time. Carroll's definition (1979) is the clearest conceptualization of CSR because besides identifying the company's duty to the society, this definition systematically differs the company's responsibility from just looking for profit and from the government's social responsibility (Chen, Chang, & Lin, 2012; Lozano, 2008; Wood, 2010).

2.2. Dividend Policies

The empiric and theoretical literature of dividend literature has been widely improved since the irrelevant theory of Miller and Modigliani (1961). This paper will shortly introduce some dividend policy theories that are relevant to the topic of research: Bird in hand theory. Lintner (1962) and Gordon (1963) confirm that dividend policies affect the corporate values, contradicting to the dividend irrelevant theory of Miller and Modigliani (1961) that suggest if the corporate dividend policy does not affect its value and the shareholders do not care whether the return from cash dividend is received now or becomes the future capital. The shareholders prefer the certainty of dividend payments over the possibility of future capital increase that may or may not occur if the profit is retained.

Agency theory of Jensen and Meckling (1976) defines the relationship of agency as a contract between the shareholders and the manager to carry out some services on their behalf and to delegate some decision making. Kalay (1980) and Jensen (1986) highlight that decreasing the resources under the manager's control by using the high dividend payment can help control the agency expenses from free cash flow. Theoretical and empiric works have suggested explanations that are different from the dividend policies, signaling theory, and life-cycle theory (such as Fama and French, 2001).

Dividend is considered as the most common payment instrument used in business world. The dividend policies applied in developed market are expected to be different from the policies in development country market in which maximizing shareholder wealth may not need be the company's goal and also make it different in cultural thing and ethical reasoning (Ge and Thomas, 2008; Lam and Shi, 2008; Li et.al., 2016). Dividend will be shared by the issuer if the company gets profit. The maximum profit finding is expected to make the corporate owner get more maximum wealth (Martono and Harjito, 2008). Dividend policy is a decision in distributing profit to the shareholders. The more dividend is, the higher the share price will be because share price is a present value from the dividend that will be received by the shareholders, so that the shareholders' wealth will increase and the share return will go up (Kusumawati and Irawati, 2013).

2.3. Corporate Financial Performance

Corporate Financial Performance is a certain measurement used by the entity to measure the succeed in making profit. The corporate financial performance can be measured from the financial report issued by the company periodically that gives a description of the corporate financial position. The information contained in the financial report is used by the investor to get the estimate of profit and dividend in the future and the risk of it (Sudaryanto, 2011). The financial information required by the investor in the form of quantitative and qualitative information either those sourced from the corporate internal side (management) or the corporate external side. Besides financial information, non-financial information can also be used as the base of corporate performance measuring, such as the customer's satisfaction on the corporate services (Sudaryanto, 2011).

Global Reporting Initiative (GRI) thinks that one aspect of measuring the economic impact of the corporate operations is economic performance that is directly distributed by the company to the shareholders, creditor, government or local community (Yustina, 2011). Financial performance of a company can be measured using the financial ratio. Financial ratio is the most often used instrument of financial analysis. Financial ratio relates much estimation contained in the financial report so that the financial condition and the operation result of a company can be interpreted (Sucipto, 2003). Financial report analysis is the beginning of the future if seen from the investor's point of view, while for the management it is useful to help anticipate the future condition and to be the starting point of action planning that will affect the course of event. If the pressure from the stakeholder is very strong and affects the corporate financial continuity and performance, so that the company should be able to formulate the policies of targeted and integrated social and environmental policy programs (Brigham and Houston, 2006).

2.4. Relation among CSR, Dividend Policies, Corporate Financial Performance

The hypothesis of this research is built based on the theoretical argument of Bird in hand theory, agency theory, stakeholder theory, legitimacy theory, and life-cycle theory, as built by Benlemlih (2014). Bird in hand theory states that the rational investor demands more the dividend of a company that socially responsible because it reflects transparency and wealth creation. Besides, according to the agency theory, payment helps decrease the potential use of inefficient corporate resources by the managers and the possibility to prevent them over invest in CSR. Furthermore, based on the stakeholder theory (Freeman, 1984), the corporate object is beyond the work frame of maximizing the shareholders wealth by creating their wealth sustainably to maintain the legitimate stakeholder interest in line with the same direction. Legitimacy theory confirms that a company keeps trying to ensure that they operate in the existing frame and norms in the society or environment in which the company exists and to ensure that the corporate activities are received by the outsiders as something 'legitimate' (Deegan, 2004). Finally, based on the life-cycle theory, the mature company tends to be big with a little chance of investment and makes higher cash internally than profitable investment to pay the dividend to the shareholder and to avoid the agency expenses from the free cash flow.

Attig et.al. (2013) highlight that the mature company with high experience and more management skill tends to strategically invest in CSR activities rather than the younger company. Thus, with the experience they have and the access

to the more free cash flow, this research expects that the Indonesian companies with high CSR expenses will adopt the strategy of high dividend payment. Further, for the Indonesian companies, the fact that companies with higher CSR expenses probably have higher concern on maximizing the shareholder wealth. Based on the definition, the operation method object and the organization output should be in line with the social norms and values. Shocker and Sethi (1974) give explanation about social contract concept as all social institution no exception the companies operating in the society through social contract either explicitly or implicitly in which life sustainability and its growth are based on: 1) The output socially can be given to the wide society; 2) The benefit distribution of economy, social or politics to the groups in line with the power owned.

Hypothesis: The relation between CSR and dividend policies and corporate financial performance.

3. Research Methods

The method used in this paper is literature review. Literature sources used in the preparation of literature review using journal articles from 2012-2019. The process of finding articles through Google Scholar, Wiley Online Library, and Science Direct. The articles referred to were 11 articles published between 2012 and 2019, from which the authors synthesized the articles. Search keywords are: CSR, Dividend Policy and Corporate Financial Performance.

Articles relating CSR to dividend policies and corporate financial performance are very limited. Some researches only make CSR or dividend policies as variables that support the corporate values, either as moderating or intervening variables. In this research the review method took the secondary data those are the articles from various journals either international or national, started from a research of Rakotomavo (2012) and other researches with the subject researched by the companies in Indonesia.

No	Author	Title	Year
1	Michel T.J. Rakotomavo	Corporate investment in social responsibility versus dividends?	2012
2	Mohammed Benlemlih	Why Do Socially Responsible Firms Pay More Dividends?	2014
3	Joonil Kim & Yongbok Jeon	Dividend Policy and Corporate Social Responsibility: A Comparative Analysis of Multinational Enterprise Subsidiaries and Domestic Firms in Korea.	2015
4	Mohamad Adam, Taufik & Dwidila Artika	Dividend Policy, Social Responsibility and Corporate Values of State-owned Enterprises	2015
5	Rino Aristia, Kharis Raharjo, Abrar Oemar	Effect Of Profitability, Decision Of Funding, Dividend Policy And Corporate Social Responsibility Value Of Mining Companies Listed In The Period 2008-2013 Bei	2015
6	Sayedeh ParastooSaeidi, Saudah Sofian, Parvaneh Saeidi, Sayyedeh ParisaSaeidi, Seyyed AlirezaSaeid	How does corporate social responsibility contribute to firm financial performance? The mediating role of competitive advantage, reputation, and customer satisfaction	2015
7	Ratna Tri Hardaningtyas, Bambang BanuSiswoyo	Effect of Dividend Policy and Corporate Social Responsibility on Stock Returns in LQ 45 Company in Period of 2015	2016
8	Atsaruddin	<i>Effect of Corporate Social Responsibility, Profitability, Corporate Measure, Dividend Policy and Corporate Growth on Corporate Values in Manufacture Companies in Indonesian Stock Exchanges</i>	2017
9	Made Pradnya Susila & Gine Das Prena	Effects of Funding Decision, Dividend Policy, Profitability and Corporate Social Responsibility on Corporate Values	2019
10	Febi Trihermanto, Yunieta Anny Nainggolan	Corporate life cycle, CSR, and dividend policy: empirical evidence of Indonesian listed firms	2019
11	Mohammed Benlemlih	Corporate social responsibility and dividend policy	2019

Table 1: Articles That Becomes References

4. Results and Discussions

Of some articles successfully collected, many researches relate more CSR to Corporate Values, as well dividend policies that are more related to the corporate values. In this article, the writer compares articles that research the direct relation between CSR and dividend policies and CSR and corporate financial performance and some other articles, besides, relating to the theoretical concept of CSR, Dividend Policies or CSR to Corporate Financial Performance. The followings are some articles that become the references of research.

Rakotomavo (2012) investigates whether CSR is taken from the expected dividend. He uses a model improved by Grullon and Michaely (2002) from Lintner (1956) to measure the dividend expected to become the proxy to estimate the dividend forecast error. The underlying idea using this model is that if the deviation of dividend forecast error is positively (negatively) related to the share buyback, the share buyback / dividend is the complement or substitute. After revising the dividend forecast error to the CSR investment, he finds that CSR investment does not cut the dividend. This implies that CSR investment can increase the corporate share values. Benlemlih (2014) investigates the importance of dividend policies using a big sample of 3,040 USA companies between 1991 and 2012, to control the problem of overinvestment of CSR due to the agency problem in the company socially responsible. Then he develops a model using control variable set that is usually used in the previous research on dividend policies (Fama and French, 2001) to isolate more the variable impact of CSR. The result gives strong proof that high CSR companies pay more dividend rather than lower CSR companies and it indicates that the dividend payment is more stable in high CSR companies than in low CSR companies.

The following table is the articles having relation between CSR and Dividend Policies and corporate financial performance:

No	Author	Year	Result
1	Michel T.J. Rakotomavo	2012	Mature companies tend to invest more in corporate social responsibility (CSR). Companies with high investment in CSR tend to be bigger, more profitable, and have bigger equity (than contributing). CSR investment does not decrease dividend. Effort of CSR and dividend tend to increase together. CSR investment tends to be affected by the companies that have ability to buy it and does not decrease its values by decreasing the payment expected by the investor.
2	Mohammed Benlemlih	2014	Companies with high CSR can use dividend policies to manage the agency problems related to excess investment in CSR.
3	Joonil Kim & Yongbok Jeon	2015	Dividend policy of subsidiary of MNE in Korea is commonly determined to meet the requirement of money delivery charged by their parent company and has weak correlation with local CSR and investment requirement for wealth creation by local stakeholders.
4	Mohamad Adam, Taufik & DwidilaArtika	2015	Dividend Policy and CSR partially do not significantly affect the corporate values. Dividend Policy and CSR simultaneously affect significantly the corporate values.
5	Rino Aristia, Kharis Raharjo, Abrar Oemar	2015	Dividend Policy and CSR positively affect the corporate values, while funding decision negatively affects the corporate values. The variables of Profitability, Expense Decision, Dividend Policy, and CSR can explain the corporate values.
6	Sayedeh Parastoo Saeidi, Saudah Sofian, Parvaneh Saeidi, Sayyede ParisaSaeidi, Seyyed Alireza Saeid	2015	The positive effect of CSR on the CFP is due to the positive effect of CSR on the competitive excellence, reputation, and customer's satisfaction. Only reputation and competitive excellence that mediate the relation between CSR and corporate financial performance.
7	Ratna Tri Hardaningtyas, Bambang BanuSiswoyo	2016	Variables of dividend policy and corporate social responsibility (CSR) have effect on the stock returns.
8	Atsaruddin	2017	Positive significant on corporate values is profitability and corporate measure, while variables of corporate social responsibility, dividend policy, and corporate growth do not significantly affect the corporate values.
9	Made Pradnya Susila & Gine Das Prena	2019	Dividend policy has positive and significant effect on the corporate values, profitability has positive and significant effect on the corporate values, and <i>corporate social responsibility</i> has positive and significant effect on the corporate values.
10	Febi Trihermanto, Yunieta Anny Nainggolan	2019	The disclosure of CSR expenses significantly increasing since 2008 shows that the companies consider integrating CSR into their business strategy. The spending of CSR is positively related to the dividend policy and shows that the increase in the whole CSR expenses increases dividend payment.
11	Mohammed Benlemlih	2019	The high CSR companies pay more dividend than the low CSR companies. Companies that have no social responsibility adjust the dividend faster than those having social responsibility: dividend payment is more stable in high CSR companies.

Table 2: Review of Articles Having Determinant of CSR with Dividend Policies and Corporate Financial Performance

Motivated by the importance of dividend policy in the corporate finance and the increase in interest in CSR, this paper aims at defining how the relation between CSR and dividend policy is. In Indonesia, Corporate Social Responsibility activity is no longer voluntary as conducted by the companies in being responsible for their corporate activities, but it is a must or a mandatory for several companies to carry out or apply. Based on the articles contained in table 1, reviewing the CSR relation to dividend policy and corporate financial performance, the important theoretical opinion that can explain why CSR activities can bring effect on the corporate dividend policy is based on Jensen's free cash flow argument (1986). Jensen thinks that the manager with big free cash flow has incentive to invest too high outside the optimal level. The high dividend payment policy decreases the resources under the manager's control and limits them to divert free cash flow. From CSR perspective, the high CSR tends to encourage excess investment in social and environmental activities. This opinion is mainly correct when the company has access to the high cash (Barnea and Rubin, 2010). If the dividend policy functions as disciplinary mechanism that avoids the excess social investment and prevents the manager from throwing away the cash through the high social spending (Benlemlih, 2014). Companies that aim at improving their business bigger in the firm size and maintaining their growth tend to disclose the information of social responsibility voluntarily (AL-Shubiri, Al-abadallat, & Abu Orabi, 2012).

CSR investment will not decrease the amount of dividend, on the contrary, CSR improvement effort tends to increase the dividend (Rakotomavo, 2012). A research in Indonesia conducted by Trihermanto and Nainggolan (2019), using the sample of 923 companies registered in ISE since 2008-2015, states that the company with high investment in CSR tends to be bigger, more profitable, and more equity, so there is a positive relation between CSR and dividend payment. Likewise is Benlemlih (2019), using the sample of 22,839 observations of the American companies during the period of 1991-2012, that the high CSR companies pay more dividend than the low CSR companies. Besides, companies that have no social responsibility adjust dividend faster than those having social responsibility: dividend payment is more stable in the high CSR companies. A research with different result is stated by Kim & Jeon (2015) who research the subsidiary of MNE in Korea, dividend policy has weak correlation with the local CSR.

A company does not only operate for the shareholders' benefit, but also for the social prosperity. From the economic side, a company is expected to reach as biggest profit as possible. But from the social side, a company must give direct contribution to the society or today it is known as social responsibility or corporate social responsibility (CSR). The awareness of the importance of CSR conducted by the company encourages it to disclose the practices or activities it carries out.

From some articles investigated, either CSR or dividend policy has positive relation to the financial performance or the corporate values. From the financial side, contribution or funding aspect of CSR can increase the social belief that also increase the corporate reputation and bring effect on the corporate financial performance. The different result is disclosed by Atsaruddin (2017), who researches on the manufacture company registered in Indonesian Stock Exchanges since 2013 until 2015, with the sample of 81 manufacture companies, states that the variables of corporate social responsibility, dividend policy, and corporate growth do not have significant effect on the corporate values.

No	Author	Year	CSR Determinant	Dividend Determinant	CFP Determinant
1	Michel T.J. Rakotomavo	2012	CSR investment	- Retained-earnings-to-total-equity ratio. - Total equity to total assets.	- ROA - Sales growth rate - Size (NYSE equity value percentile)
2	Mohammed Benlemlih	2014	CSR score: community, diversity, employee relations, environment, product characteristics and corporate governance.	- Payout ratio - Payout propensity - The stability of dividends payment	Life cycle proxy = $\frac{RE}{EBV}$
3	Joonil Kim & Yongbok Jeon	2015	CSR measured by the ratio of donation to sales.	Ratio of dividend provision to total sales.	- Ratio of debt to the value of firm assets; - Size; - Growth; - Standard deviation (operating income)
4	Mohamad Adam, Taufik & Dwidila Artika	2015	CSR Disclosure Index (GRI)	Dividend payout ratio	Tobin's Q

No	Author	Year	CSR Determinant	DevidendDeterminant	CFP Determinant
5	Rino Aristia, Kharis Raharjo, Abrar Oemar	2015	Sustainability reporting indicators of: Economic; environmental; social performance	Dividend payout ratio	ROE; PBV
6	Sayedeh Parastoo Saeidi, Saudah Sofian, Parvaneh Saeidi, Sayyede Parisa Saeidi, Seyyed Alireza Saeid	2015	Ethical, Economic, Discretionary, Legal dimension of CSR	NPM; ROI	Sales & Market share growth; ROE; ROA; ROS
7	Ratna Tri Hardaningtyas, Bambang Banu Siswoyo	2016	CSR Disclosure: CSR Expenses	Dividend payout ratio	Return on Share
8	Atsaruddin	2017	CSR Disclosure: CSR Expenses	Dividend payout ratio	- ROE - Size - Growth
9	Made Pradnya Susila & Gine Das Prena	2019	GRI indicators performance: Economic; environmental; labor practices and work environment; human rights; community; product responsibility	Dividend payout ratio	$Tobin's Q = \frac{EMV + D}{EBV + D}$
10	Febi Trihermanto, Yunieta Anny Nainggolan	2019	CSR expenses: CSR economic, social and environmental expenses.	Firms' cash dividend	ROA, Lagged ROA, Size, and Growth
11	Mohammed Benlemlih	2019	CSR score; community, diversity, employee relations, environment, product characteristics, and corporate governance.	- Ratio of cash dividends on common stocks to net sales - Ratio of cash dividends on common stocks to total assets	Size, cash, sales growth, firm debt ROA, ratio of retained earnings to common equity

Table 3: Determinants Used in the Articles

5. Conclusion

This paper focused on investigating the topic that is least discussed in relation to CSR that is dividend policy. Some researches show that there is a positive relation between CSR and dividend policy and corporate financial performance. Referring to a research of Trihermanto (2019) that divides CSR determinant into three those are economy CSR, social CSR, and environment CSR, it finds that the environment CSR has insignificant relation to dividend policy. This result is because there are only a little company that use the environment CSR and most companies in Indonesia more focus on using the social CSR to increase their reputation (Shaui, 2011; Tjiptono and Arli, 2014). Besides, similar to Nainggolan et.al. (2017), the result of research gives proof that the Indonesian state-owned enterprises have clearly applied their CSR activities and report it to their annual report and sustainability.

CSR disclosure as the corporate social responsibility can affect the corporate financial performance. A view that a company that makes good environmental performance and then makes high disclosure is expected to be the investor consideration to not only see the corporate financial performance from the financial side alone but also the environmental performance. This shows that a company that applies CSR get positive concern from the market doers. A relation among social, environment, and financial objects usually is marked by the short term competition and inconsistency and long

term benefit (Mackey et al., 2007; Smith dan Tushman, 2005). More specifically, this initiative can be beneficial for one another in the long term, they often contradict with their necessity of resources (Margolis and Walsh, 2003). A manager should make an exchange of resources among these various objects, which is difficult because the long term financial profit from the social / environmental initiative probably does not fit the traditional capital budgeting format, except the risk and impact related to the reputation are measured and integrated into the decision.

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