

Full Length Article

We are watching you: Are you ready to pay dividends?

Devora Peña-Martel ^a, Jerónimo Pérez-Alemán ^b, Domingo J. Santana-Martín ^{b,*}

^a *Mid Atlantic University, Department of Finance and Accounting, Spain*

^b *University of Las Palmas de Gran Canaria, Department of Finance and Accounting, Spain*

Received 22 February 2023; revised 31 July 2023; accepted 31 July 2023

Available online 6 August 2023

Abstract

This study investigates the relationship between media visibility and dividend policy. We argue that this media activity affects how dividend policy is determined, as it might impact agency conflicts, information asymmetry, and the firm's dependence on investors' preferences. Using a sample of 93 Spanish listed firms over the period 2004–2019, we show that media coverage has a positive effect on dividends and that the scrutiny from media coverage can encourage managers and dominant owners to pay dividends in an effort to boost their public image and reputation. Consequently, the results indicate that media exposure leads to dividend smoothing as a way to build a good reputation, which is conducive to attracting funds from external investors. Our results are robust to the use of alternative measures of media visibility and dividends as well as different procedures to address endogeneity issues.

Copyright © 2023 Borsa İstanbul Anonim Şirketi. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Keywords: Dividends; Media attention; Reputation; Smoothing

1. Introduction

Despite a period of great economic uncertainty, high inflation, rising interest rates, and war in Europe, headlines such as the following were seen in the business press: “Global dividends hit a third-quarter record” (*Financial Times*, November 16, 2022) and “Dividend Payouts Hit Record Despite Rocky Stretch in Markets” (*Wall Street Journal*, July 12, 2022). They show that dividend policy—that is, corporate decisions regarding the share of profits to be distributed to the firm's current shareholders (Barros et al., 2020)—is not only one of the most visible financial decisions (Michaely & Moin, 2022) but also one of the most “controversial”. Researchers have studied dividend policy for decades (Easterbook, 1984; Gomes, 2000; Jensen, 1986; Jensen & Meckling, 1976, 1995; Myers,

1998), highlighting its critical role in a firm's long-term sustainability (Hussain & Akbar, 2022; Salah & Jarboui, 2022) and identifying dividends as one of the most critical and challenging issues facing managers and controlling shareholders (Baker & Weigand, 2015). However, current knowledge concerning which factors affect dividend payments to shareholders is far from conclusive, such that the reason that firms pay dividends remains unclear (Barros et al., 2021; Franc-Dbrowska & Mađra-Sawicka, 2020; Goyal, 2019).

In recent years, numerous studies and theories have emerged, focused on the incentives and determinants that underlie dividend policies (for a recent review, see Ed-Dafali et al., 2023). Since the study by La Porta et al. (2000), a relevant body of dividend research has explored the role of the legal system and the quality of corporate governance in shareholder revenue (Adjaoud & Ben-Amar, 2010; Bae et al., 2021; Bøhren et al., 2012; Farooq & Ahmed, 2019; Jiraporn & Ning, 2006; La Porta et al., 2000; Lin & Lin, 2020). However, the results are still far from conclusive, opening up the door to investigation of other external factors that might drive dividend policy, such as culture (Naeem & Khurram,

* Corresponding author.

E-mail addresses: devora.pena@pdi.atlanticomedio.es (D. Peña-Martel), jeronimo.perez@ulpgc.es (J. Pérez-Alemán), javier.santana@ulpgc.es (D.J. Santana-Martín).

Peer review under responsibility of Borsa İstanbul Anonim Şirketi.

2020; Shao et al., 2010; Zheng & Ashraf, 2014) and social norms and relationships (Davaadorj, 2019).

In this study, we take a new and different approach to the dividend puzzle issue by looking at the effect of media coverage on dividend policy. Acting as an extralegal corporate governance mechanism, the media disseminate information about firms that may influence companies' public image. Moreover, media coverage of firm performance increases the level of transparency, making the actions of managers and dominant owners more visible to a wide audience (Bushee et al., 2010; Dyck & Zingales, 2002; Fang & Peress, 2009; Lauterbach & Pajuste, 2017; Liu & McConnell, 2013). Earlier literature suggested that the media can have a significant impact on corporate behavior, such as in certain capital allocation decisions or through corporate governance mechanisms (Ahern & Sosyura, 2014; Bednar, 2012; Chahine et al., 2015; Core et al., 2008; Kuhnen & Niessen, 2012; Lauterbach & Pajuste, 2017; Liu et al., 2017; Liu & McConnell, 2013; Peña-Martel et al., 2022). However, to the best of our knowledge, previous literature has not specifically investigated the role of the media in dividend policy, a gap that our study fills. We argue that media activity affects how dividend policy is determined, as it can lead to agency conflicts, information asymmetry, and a firm's dependence on investor preferences.

Using a sample of 1184 firm-year observations from 93 Spanish listed firms over the period 2004–2019, we reveal that media attention can play a crucial role in dividend policy. More specifically, we show that media coverage has a positive effect on dividends and that the scrutiny from media coverage can encourage managers and dominant owners to pay dividends in an effort to boost their public image and reputation. Consequently, the results indicate that media exposure leads to dividend smoothing as a way to build a good reputation that is conducive to attracting funds from external investors. The results support the idea that reputation is a determining factor in a weak legal protection environment, because when firms face greater media visibility, they prefer to bear the cost of paying and smoothing dividends in the hope of obtaining the higher profits that will accrue from a positive public image. We test the robustness of our results using alternative measures of media visibility and dividends as well as different procedures to address endogeneity issues. Our results can be extrapolated to most continental European countries with high media independence (Freedom House Press Freedom Index), where firms tend to be controlled by majority owners (Fan & Wong, 2002) and institutions offer weak protection of firms' transactions (Djankov et al., 2008).

This study makes several contributions to the current literature. First, whereas previous literature focuses on studying the impact of the legal system on dividend policy, we contribute to the scarce literature on the impact of extralegal external governance mechanisms on dividend policy (Shao et al., 2010; Zheng & Ashraf, 2014). We show robust findings indicating that, in a weak legal setting, the media become a reputational driver that motivates the payment and smoothing of dividends. Second, given that media scrutiny is an inherent part of a country's informal institutions and that it does not occur in

isolation, our paper provides evidence that the continental European setting might determine the link between dividends and media coverage. Third, we show that increased scrutiny of managers' and majority owners' performance is an effective mechanism for encouraging investor revenue through dividends. Furthermore, our research extends these results by looking at the effect of firm visibility in different local and international media and considering the content and tone of the news. We also examine the moderating effect of family ownership on the media-dividends relationship, thereby responding to the call for further research into family firms' dividend policy (Ed-Dafali et al., 2023).

The rest of the study proceeds as follows. Section 2 presents the literature review and hypothesis. Section 3 describes the research design. Section 4 reports the results. Finally, Section 5 concludes the paper.

2. Literature review and hypothesis

The media play a corporate governance role by disseminating, aggregating, and amplifying information about companies, managers, and dominant owners (Bushee et al., 2010). Given the benefits involved, the media thus have incentives for reporting on aspects of firms that are of greater interest to stakeholders—especially external investors—thereby reducing information asymmetry (Baker et al., 2002). In addition, the media influence the public image and reputation of managers and dominant owners (Ahern & Sosyura, 2014; Dyck et al., 2008; Fang & Peress, 2009; Lauterbach & Pajuste, 2017; Liu & McConnell, 2013) by acting as social referees who make judgments about managers and dominant owners, influencing the perceptions of a larger audience and helping to forge public opinion (Bednar, 2012; Dyck & Zingales, 2002; Farrell & Whidbee, 2002; Miller, 2006; Pollock & Rindova, 2003; Wiesenfeld et al., 2008). Accordingly, media scrutiny pressures managers and dominant shareholders into responding to the demands of external investors, because media visibility makes firms more vulnerable to their demands for achieving long-term sustainability (Fiss & Zajac, 2006; Peña-Martel et al., 2022; Zyglidopoulos et al., 2012).

The media thus become a reputational driver thanks to their ability to scrutinize and discipline managers and dominant owners by increasing their reputational costs, which can negatively affect their career, public image, or access to capital markets (Choi & Jung, 2008; Donker et al., 2008; Dyck et al., 2008; Dyck & Zingales, 2002; Fischer & Khoury, 2007). The media help to make reputation an instrument that disciplines the actions of managers and dominant owners (Fama, 1980; Fama & Jensen, 1983). This might prove particularly relevant in a continental European context because—as in most countries outside the Anglo-American environment—managers face a tight labor market, and dominant owners have incentives for protecting their long-term control over the firm. Given the weakness of the legal system, reputation becomes a substitute mechanism for disciplining insiders (Cuervo, 2002; Djankov et al., 2008; La Porta et al., 1998, 2000). Recent studies suggest that the media can have a significant impact on corporate

behavior, such as certain capital allocation decisions or corporate governance mechanisms (Ahern & Sosyura, 2014; Bednar, 2012; Bona-Sánchez et al., 2023; Cahan et al., 2017; Chahine et al., 2015; Core et al., 2008; Drake et al., 2014; Fang & Peress, 2009; Jansson, 2013; Kuhnen & Niessen, 2012; Lauterbach & Pajuste, 2017; Liu et al., 2017; Liu & McConnell, 2013; Peña-Martel et al., 2022). However, to the best of our knowledge, previous literature has not specifically investigated the role of the media in dividend policy. Our study fills this gap. For this purpose, our theoretical arguments rely on agency conflicts, information asymmetry, and investor preferences.

2.1. Agency theory

Taking an agency perspective—and in a setting of widely dispersed ownership—previous studies show that dividends reduce agency conflicts between minority shareholders and managers, as dividends decrease FCFs that managers could otherwise spend on their own benefits and force managers to raise funds more frequently, increasing capital market monitoring (DeAngelo et al., 2006; Easterbrook, 1984; Jensen, 1986; Lang & Litzenberger, 1989; Shleifer & Vishny, 1986).

However, the relationship between the presence of dominant owners and dividends is more complex. Large shareholders have the ability and incentive to influence corporate decisions and obtain private benefits (Shleifer & Vishny, 1997). Therefore, dividends are an ideal instrument for limiting the expropriation of minority shareholder wealth because they guarantee a fair and equitable distribution of wealth by ensuring a pro-rata payout and limiting the private benefits of dominant owners (Faccio et al., 2001; La Porta et al., 2000). Consequently, dividends can be seen as an outcome of the agency conflict between controlling and minority shareholders. Moreover, dominant owners might reduce dividends to increase the potential for rent extraction—the outcome hypothesis—as the payment of dividends reduces the resources available for obtaining private benefits. Conversely, in a context with weak governance, dominant owners might have incentives for increasing dividend payments as a reputational mechanism so as to mitigate agency conflicts between insiders and outside investors. Therefore, compared to other corporate governance mechanisms, paying dividends is a more credible signal of dominant owners' commitment not to expropriate minority shareholders (Pindado et al., 2012), that is, in the absence of a strong governance system, dividends become a substitute mechanism—the substitution hypothesis. Nevertheless, the empirical evidence is not conclusive, as some studies point to the outcome model (Adjaoud & Ben-Amar, 2010; Bae et al., 2021; Barclay et al., 2009; Gugler & Yurtoglu, 2003; Gyapong et al., 2021; La Porta et al., 2000; Lin & Lin, 2020; Mancinelli & Ozkan, 2006; Maury & Pajuste, 2002; Pindado et al., 2012; Truong & Heaney, 2007), while others point in the opposite direction (Bøhren et al., 2012; Ellahie & Kaplan, 2021; Farooq & Ahmed, 2019; Flavin & O'Connor, 2017; Jiraporn et al., 2011).

Accordingly, from an agency perspective, the impact of media visibility on dividend policy is unclear. Media scrutiny

might encourage dividend payments, because greater media coverage of firms increases the level of transparency, making the actions of managers and dominant owners more visible to a wide audience. As a result, insiders' ability to obtain private benefits is reduced. In this way, the lower tendency toward expropriation increases the incentives for dividend payout (Lin & Lin, 2020). In addition, dividends can be considered a reputational driver for the firm (Farinha, 2003; John et al., 2015; Kuo, 2017; López-Iturriaga & Santana-Martín, 2019; Pindado et al., 2012), especially in settings with a weak legal system (La Porta et al., 2000). Therefore, increased media attention may encourage greater payment of dividends, as greater public scrutiny of the firm's actions increases the benefits of dividend payments, given that reputation facilitates the conclusion of contracts or the creation of a “halo effect” for managers and dominant owners. However, media disciplining of the actions of managers and dominant owners may make dividend payments less necessary as an instrument for reducing agency conflicts. Hence, media visibility can lead one costly instrument—dividends—to be replaced by another—media attention—at no cost to the firm, thereby leading to the expectation of a negative impact of media attention on dividends.

2.2. Signaling theory

A payout decision can be viewed as a signaling device in a context of information asymmetry, in which external investors do not know the current and future levels of a firm's earnings (Aivazian et al., 2003; Ambarish et al., 1987; Asem & Alam, 2015; Bhattacharya, 1979; John & Williams, 1985; Miller & Rock, 1985; NOE & Rebello, 1996; Watts, 1973). So, providing increased dividends is a method used by firms to persuade external investors of the company's positive value prospects (Adjaoud & Ben-Amar, 2010). Consequently, providing a dividend increase is seen as a positive signal (Ham et al., 2020; Kaplan & Pérez-Cavazos, 2022; Meza et al., 2020; Nissim & Ziv, 2001). However, previous literature argues that firms use dividends as a costly signal to change market perceptions of future earnings (Allen & Michaely, 2003; Bhattacharya, 1979; John & Williams, 1985). From this perspective, firms that come under greater media attention might have incentives for reducing the use of dividends as an information signal. Therefore, media visibility reduces information asymmetry between insiders and outsiders—that is, media attention reduces the “information content of dividends,” making it less useful as a signal, such that it is less costly for the firm to reduce the use of dividends.

2.3. The investor preference perspective

Previous literature has argued that investors may have different perspectives related to dividends, such that a correspondence is found between dividend policy and shareholder preferences. Miller and Modigliani (1961) argue that investors can be grouped into tax groups based on their level of taxes, such that firms that pay low dividends attract high-income

investors and vice versa. In this system, prospective minority shareholders prefer dividends (Graham & Kumar, 2006). Dahlquist et al. (2014) show that mutual funds with higher tax payments on dividends shift the composition of their portfolios toward firms with lower dividends.

In line with investor preferences, Baker and Wurgler (2004a, 2004b) propose the “catering” theory, according to which investors divide firms into dividend- and non-dividend-paying groups. Each group's demand for shares thus varies over time, driven by fads or sentiment toward dividends. Firms pay out dividends if investor demand for them increases and reduce them when dividend demand is lower. Li and Lie (2006) show that firms change their dividend policies based on investor demand, such that they pay dividends when investors pay a “dividend premium” and reduce them when dividend-paying firms trade at a discount. In line with this, many studies show that firms define their dividend policy based on investor demands (Bilel & Mondher, 2021; Brown et al., 2007; Chetty & Saez, 2005; Hanlon & Hoopes, 2014; Jacob & Michaely, 2017; Yu et al., 2021).

In this context, media coverage reduces information asymmetry, thereby increasing stock liquidity (Aman & Moriyasu, 2022; Bushee et al., 2010; Dang et al., 2020) and making firms less reluctant to reduce dividends because greater liquidity facilitates the entrance of investors who prefer low dividends, such that a reduction in dividends has a smaller impact on stock prices. In this way, the greater liquidity of the shares resulting from media coverage might make the role of dividends less relevant as a reason to invest in the firm.

Taking into account the previous arguments, we state our hypothesis as follows:

Hypothesis 1. *Media coverage affects dividend policy.*

Hypothesis 1a. *Media coverage positively affects dividend policy.*

Hypothesis 1b. *Media coverage negatively affects dividend policy.*

The overall conceptual model of our study is illustrated in Fig. 1.

3. Method and data

3.1. Sample

The sample includes 93 Spanish listed firms over the period 2004–2019 included in OSIRIS (Bureau Van Dijk). We excluded financial and real-estate companies because they are obliged to follow specific regulations by the financial authorities. To avoid any influence of outliers, we winsorized all the continuous variables at the 1st and 99th percentiles. The final sample comprises an unbalanced panel data set of 1184 firm-year observations, in which 85.93 percent of the firms have six or more observations during the period. This sample

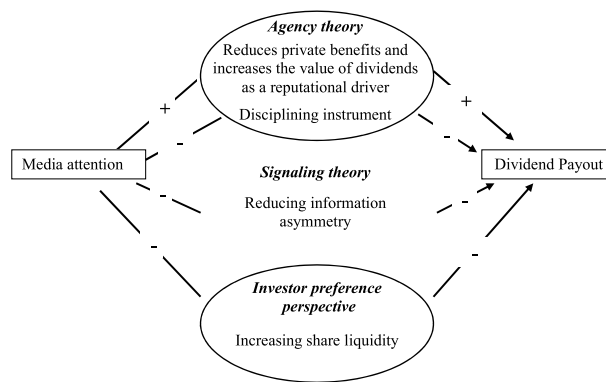


Fig. 1. Conceptual model.

represents 98.92 percent of Spanish nonfinancial listed firms' market capitalization in 2019.

We use three different sources of information to construct our variables. Media attention data were obtained from the FACTIVA database, and information on dividend payouts was obtained from the financial reports published by firms on the Spanish Stock Exchange Commission (*Comisión Nacional del Mercado de Valores, CNMV*). The remaining variables were obtained from the OSIRIS database (financial variables) and the Corporate Governance Annual report, also published by the CNMV.

3.2. Variables

Consistent with earlier literature, our dependent variable is *DIVTA*—measured as dividends scaled by total assets. To generate our *MEDIA_ATTENTION* measure of media attention—and in line with previous research—media visibility is measured by the logarithm of number of news stories about companies (Ahern & Sosyura, 2014; Core et al., 2008; Dyck et al., 2008; Dyck & Zingales, 2002; Lauterbach & Pajuste, 2017; Liu et al., 2017; Liu & McConnell, 2013; Tetlock, 2007). We compile the level of coverage from the FACTIVA database, which provides news on each firm and year published in different forms of financial media. First, we analyzed the three main financial publications in Spain: *Expansión*, *Cinco Días*, and *El Economista*. In the international financial media, we looked at the *Financial Times*, *Wall Street Journal*, *Reuters*, *Dow Jones*, and *Business Wire*. The choice of financial media is based on two criteria. Following previous studies, we include international media that are considered leaders in financial news (Cahan et al., 2017; Core et al., 2008; Drake et al., 2014; Dyck et al., 2008; Engelberg & Parsons, 2011; Hooghiemstra et al., 2015; Miller, 2006). In addition, in order to measure media coverage—and in line with Ahern and Sosyura (2014) and Chahine et al. (2015)—we only consider papers that provide information on Spanish listed firms, and we exclude news items that do not contain any informational content, such as announcements of dividend payments or listings. In our study, we draw on the database by Peña-Martel et al. (2022), which uses the same method for the period 2003–2016, and we complement it by adding new data covering 2017, 2018, and 2019.

In terms of the control variables, we consider a set of firm characteristics, which, according to previous literature, can affect dividend policy. Specifically, we use *DEBT* (Farooq & Ahmed, 2019), *QTOBIN* (Adjaoud & Ben-Amar, 2010; Rodrigues et al., 2020), *VOTING* (La Porta et al., 2000; Pindado et al., 2012), *AGE* (Fama & French, 2001; Isakov & Weisskopf, 2015), *TANGIB* (García-Meca et al., 2017), and *ROA* and *SIZE* (Fama & French, 2001). The definitions of all the variables are in Table 1.

3.3. Regression model and methodology

We propose the following model to test our hypothesis:

$$\begin{aligned}
 DIVTA_{it} = & \beta_0 + \beta_1 MEDIA_ATTENTION_{it} + \beta_2 VOTING_{it} \\
 & + \beta_3 DEBT_{it} + \beta_4 ROA_{it} + \beta_5 QTOBIN_{it} + \beta_6 AGE_{it} \\
 & + \beta_7 TANGIB_{it} + \beta_8 SIZE_{it} + \mu_j + \alpha_t + \varepsilon_{it}
 \end{aligned} \tag{1}$$

$$\begin{aligned}
 MEDIA_ATTENTION_{it} = & \beta_0 + \beta_1 DIVTA_{it} + \beta_2 VOTING_{it} \\
 & + \beta_3 DEBT_{it} + \beta_4 ROA_{it} \\
 & + \beta_5 QTOBIN_{it} + \beta_6 AGE_{it} \\
 & + \beta_7 TANGIB_{it} + \beta_8 SIZE_{it} \\
 & + \beta_9 IBEX35_{it} + \mu_j + \alpha_t + \varepsilon_{it}
 \end{aligned} \tag{2}$$

where μ_j and α_t are dummy variables for the industry and time, respectively. The error term is ε_{it} .

Starting with the main model specification, we run different analyses to obtain our estimates. First, we estimate a system of two simultaneous equations with the three-stage least squares (3SLS) method to control for possible reverse causality. The dependent variable (*DIVTA*) in Equation (1) depends on the independent variables. In Equation (2), we re-estimate the model using our main explanatory variable (*MEDIA_ATTENTION*) as the variable of interest and regress it against dividend payment and the control variables. To further address endogeneity concerns, we employ an instrumental variable (IV) approach to extract the exogenous variables from media attention, with an IV that is correlated with media attention but uncorrelated with dividend payment. To do so, we use the two-stage least squares (2SLS) method as it can be useful for purging coefficients of endogeneity bias (Baum et al., 2011; Chen et al., 2017). Finally, we perform another analysis employing the generalized method of moments (GMM) developed by Blundell and Bond (1998). This technique enables us to address possible endogeneity problems that derive from the simultaneity between media attention and dividend payment as well as uncontrolled individual heterogeneity.

4. Results

4.1. Descriptive statistics and correlations

Table 2 presents the summary statistics of all the variables, the correlation matrix, and a *t*-test to determine whether a

statistically significant difference is found between the means of the variables for firms with more and less media attention. Panel A in Table 2 shows that average dividend payout (*DIVTA*) is 1.6 percent of total assets, while average media attention is 407 news items. Panel B in Table 2 shows that our main explanatory variable (*MEDIA_ATTENTION*) has a positive and statistically significant relation to dividend payout (*DIVTA*). The remaining explanatory variables have a statistically significant correlation with dividends, except for *TANG*. We also determine the variance inflation factor (VIF) (Panel B), showing that our study does not a multicollinearity problem.

Finally, we divided firms into two groups based on their media visibility. Firms with high visibility have a number of news items that is higher than or equal to the median for the sector every year. The results in Panel C show statistically significant differences between firms with more and less media attention. Firms with more media attention have higher dividend payout (*DIVTA*), debt (*DEBT*), profitability (*ROA*), tangibility (*TANGIB*), and size (*SIZE*). However, no significant differences are seen for *VOTING*, *QTOBIN* and *AGE*. These results support H1a—that media visibility is a driver of dividend policy.

4.2. Results

To address any concerns regarding the endogeneity problem that arises when reverse causality exists, in Table 3 we show the main results from two simultaneous equations employing three-stage least squares (3SLS). Model 1 comprises two equations. In Equation (1), the dependent variable is *DIVTA*, and the independent variable is *MEDIA_ATTENTION*. The result shows a statistically significant effect of media attention on dividend payout. In Equation (2), *MEDIA_ATTENTION* is the dependent variable, and *DIVTA* is the independent variable. In this case, the results do not show a statistically significant effect of media attention on dividend payout. Therefore, we can conclude that our research does not have any endogeneity problems involving reverse causality.

Although the 3SLS technique is efficient, it is also more sensitive to specification errors (Farag et al., 2014). In line with previous studies (Liu et al., 2017; Liu & McConnell, 2013), we also estimate our regression model using an 2SLS estimator. When applying the 2SLS method, it is crucial to define instruments correlated with our dependent variable (*MEDIA_ATTENTION*) but not the independent variable (*DIVTA*). Specifically, we use *IBEX35* as the IV, defined as a dummy variable that takes a value of 1 if the firm is on the selective Ibx35 index, and 0 otherwise. Firms included in the selective index are more open to greater exposure to different external market agents, such as investors or the media (García-Castro et al., 2010; Peña-Martel et al., 2022). Therefore, greater media coverage of these firms is to be expected. Alternatively, we use public reputation as another instrument of media attention (Baron, 2008; Borghesi et al., 2014; Malmendier & Tate, 2009). Following earlier research (Delgado-García et al., 2010; Fernández & Luna, 2007; Gras-Gil et al., 2016; Odriozola & Baraibar-Díaz, 2017), we use the Spanish Monitor of Corporate Reputation (*MERCO*) reputational assessment tool as a measure

Table 1
Definitions of variables.

Measurement of dividends	
<i>DIVTA</i>	Percentage of dividends scaled by total assets
<i>DIVSALES</i>	Percentage of dividends scaled by total sales
<i>PAYOUT</i>	Percentage of dividends scaled by earnings
<i>D_PAYER</i>	Dummy variable that takes a value of 1 when the company pays dividends, and 0 otherwise.
<i>D_CUT</i>	Dummy variable that takes a value of 1 when the firm cuts or eliminates dividends, and 0 otherwise.
Δ_DIVTA	Change in dividends in year <i>t</i> relative to year <i>t</i> -1
<i>REPURCHASES</i>	Percentage of shares repurchased scaled by total assets
<i>SOA</i>	Inverse measure of dividend smoothing: the lower the value of SOA, the higher the degree of dividend smoothing, and vice versa. SOA is performed in a two-step process. First, the target payout ratio (TPR _{<i>t</i>}) is estimated as the median payout over the previous 8-year period. The deviation (dev _{<i>i</i>}) in year <i>t</i> is then calculated using the following equation: $dev_{it} = TPR_{it} \times E_{it} - D_{it-1}$ where E _{<i>i</i>} is earnings per share, and D _{<i>i</i>-1} is the level of dividends per share (DPS) in the previous period. Next, SOA is estimated with the following regression: $\Delta D_{it} = \alpha + \beta_1 dev_{it} + \epsilon_{it}$ SOA is the coefficient on the deviation variable (β).
Media measurement	
<i>MEDIA_ATTENTION</i>	The logarithm of the number of news items on a firm reported by <i>Expansión</i> , <i>Cinco Días</i> , <i>El Economista</i> , <i>Financial Times</i> , <i>Wall Street Journal</i> , <i>Reuters</i> , <i>Dow Jones</i> , and <i>Business Wire</i> .
$\Delta_MEDIA_ATTENTION$	Change in the number of news items on a firm reported by <i>Expansión</i> , <i>Cinco Días</i> , <i>El Economista</i> , <i>Financial Times</i> , <i>Wall Street Journal</i> , <i>Reuters</i> , <i>Dow Jones</i> , and <i>Business Wire</i> in year <i>t</i> relative to year <i>t</i> -1.
<i>NATIONAL_PRESS</i>	The logarithm of the number of news items on a firm reported by <i>Expansión</i> , <i>Cinco Días</i> and <i>El Economista</i> .
<i>INTERNATIONAL_PRESS</i>	The logarithm of the number of news items on a firm reported by <i>Financial Times</i> , <i>Wall Street Journal</i> , <i>Reuters</i> , <i>Dow Jones</i> , and <i>Business Wire</i> .
<i>DIV_MEDIA_ATTENTION</i>	The logarithm of the number of news items related to dividends on a firm reported by <i>Expansión</i> , <i>Cinco Días</i> , <i>El Economista</i> , <i>Financial Times</i> , <i>Wall Street Journal</i> , <i>Reuters</i> , <i>Dow Jones</i> , and <i>Business Wire</i> .
<i>MEDIA_NEGATIVE</i>	The logarithm of the number of negative news items on a firm reported by <i>Expansión</i> , <i>Cinco Días</i> , <i>El Economista</i> , <i>Financial Times</i> , <i>Wall Street Journal</i> , <i>Reuters</i> , <i>Dow Jones</i> , and <i>Business Wire</i> .
<i>MEDIA_POSITIVE</i>	The logarithm of the number of positive news items on a firm reported by <i>Expansión</i> , <i>Cinco Días</i> , <i>El Economista</i> , <i>Financial Times</i> , <i>Wall Street Journal</i> , <i>Reuters</i> , <i>Dow Jones</i> , and <i>Business Wire</i> .
<i>MEDIA_NEG_COMPETITORS</i>	The logarithm of the number of negative news items on a firm's competitors reported by <i>Expansión</i> , <i>Cinco Días</i> , <i>El Economista</i> , <i>Financial Times</i> , <i>Wall Street Journal</i> , <i>Reuters</i> , <i>Dow Jones</i> , and <i>Business Wire</i> .
Other firm characteristics	
<i>FAMY</i>	Dummy variable that takes a value of 1 when a family is the largest shareholder of the firm, and 0 otherwise. To identify the largest shareholder of the firm, we use the database by García-Meca et al. (2022) , which identifies family firms listed in the period 2003–2020. To do so, they use the chain-of-control methodology to identify the ultimate owner of the firm (Claessens et al., 2000 ; Faccio & Lang, 2002 ; La Porta et al., 1999 ; Pindado et al., 2014 ; Ruiz-Mallorquí & Santana-Martín, 2011 ; Sacristán-Navarro & Gómez-Ansón, 2007). A firm is defined as a family firm when the ultimate shareholder is an individual or family that, directly or indirectly, holds a stake in voting rights equal to or above a set level of control. In line with previous literature, this level is set at 10%.
<i>FD</i>	Dummy variable that takes a value of 1 if a firm's Z-score is ≤ 1.81 (Altman's bankruptcy threshold). Altman's Z-score is calculated as $1.2A + 1.4B + 3.3C + 0.6D + 1.0E$, where: A is working capital divided by total assets. B is retained earnings divided by total assets. C is income before interest and tax divided by total assets. D is the market value of equity divided by total liabilities.
Control variables	
<i>ROA</i>	Return on assets, calculated as the percentage of earnings before interest, taxes, depreciation, and amortization divided by total assets.
<i>SIZE</i>	The logarithm of total assets.
<i>DEBT</i>	The percentage of the sum of short- and long-term debt divided by total assets.
<i>AGE</i>	The logarithm of one plus the number of years since the firm was founded.
<i>QTOBIN</i>	Market value of equity plus total debt, divided by total assets.
<i>VOTING</i>	The voting rights of the largest shareholders.
<i>TANGIB</i>	Percentage of tangible assets scaled by total assets.
Instruments	
<i>IBEX35</i>	Dummy variable that takes a value of 1 if the company is part of the representative index of the Spanish stock market (IBEX-35), and 0 otherwise.
<i>MERCO</i>	The logarithm of one plus the MERCO Index, it is the main reputational assessment tool in Spain, which since 2000 has measured the reputation of firms on a scale from 0 to 10,000.

Table 2
Univariate analysis.

Panel A. Descriptive statistics						
	Mean	St. Dev.	Q1	Median	Q3	
<i>DIVTA</i>	1.677	2.269	0.00	0.740	2.476	
<i>MEDIA_ATTENTION</i>	407.598	714.944	58.000	133.000	415.000	
<i>VOTING</i>	43.962	20.656	27.204	43.026	60.817	
<i>DEBT</i>	63.561	19.670	49.330	64.706	78.000	
<i>ROA</i>	6.312	6.857	2.973	6.079	9.683	
<i>QTOBIN</i>	1.544	0.816	1.035	1.265	1.667	
<i>AGE</i>	51.310	30.618	27.000	45.000	73.000	
<i>TANGIB</i>	30.339	24.011	8.821	25.583	48.555	
<i>SIZE</i>	14.072	2.061	12.528	13.997	15.341	

Panel B. Correlation matrix									
	<i>DIVTA</i>	<i>MEDIA_ATTENTION</i>	<i>VOTING</i>	<i>DEBT</i>	<i>ROA</i>	<i>QTOBIN</i>	<i>AGE</i>	<i>TANGIB</i>	<i>VIF</i>
<i>MEDIA_ATTENTION</i>	0,106***								1.13
<i>VOTING</i>	0.057**	-0.105***							1.06
<i>DEBT</i>	-0.279***	0.234***	0.046						1.21
<i>ROA</i>	0.596***	0.091***	0.020	-0.288***					1.46
<i>QTOBIN</i>	0.536***	-0.066**	0.096***	-0.123***	0.476***				1.38
<i>AGE</i>	-0.056**	0.104***	-0.115***	0.136***	-0.036	-0.153***			1.07
<i>TANGIB</i>	0.002	0.049*	-0.1529***	-0.032	-0.007	-0.123***	-0.065**		1.05
<i>SIZE</i>	0.056*	0.814***	-0.019	0.278***	0.054*	-0.258***	0.171***	0.036	1.76

Panel C. Firms with high and low media attention							
	High media attention (N = 596)			Low media attention (N = 594)			t-student
	Mean	Median	SD	Mean	Median	SD	
<i>DIVTA</i>	1.940	1.215	2.279	1.412	0.242	2.230	0.527***
<i>VOTING</i>	43.297	41.714	19.544	44.628	45.368	21.711	-1.331
<i>DEBT</i>	67.995	68.421	16.831	59.112	57.578	21.259	8.883***
<i>ROA</i>	6.971	6.563	6.041	5.650	5.283	7.536	1.320***
<i>QTOBIN</i>	1.511	1.275	0.745	1.578	1.257	0.880	0.066
<i>AGE</i>	52.624	44.500	28.205	49.991	46.000	32.833	2.632
<i>TANGIB</i>	31.197	26.794	25.508	29.477	24.471	22.398	1.719*
<i>SIZE</i>	15.449	15.297	1.647	12.691	12.662	1.406	31.052***

Notes: Panel A reports the descriptive statistics for the variables used in the base models. Panel B reports the correlation matrix. Panel C reports the means differences between firms with high and low media attention with the *t*-test. Firms with high visibility have a number of news items equal to or higher than the median for the sector each year. All the variables are defined in Table 1. ***, **, and * statistically significant at 1%, 5%, and 10%, respectively.

of public reputation. The MERCO index considers the ranking of corporate reputation in Spain—based on the perceptions of all stakeholders—and collects data from different sources of information (interviews with directors, expert assessment, direct assessment, and MERCO tracking of the population). Firms are then rated on a scale from 0 to 10,000. We define *MERCO* as our variable for public reputation, measured as the logarithm of one plus the *MERCO* Index. We expect the relationship between *MERCO* and media visibility to be positive.

The results of the 2SLS estimations are shown in Table 4 (Models 1 and 2). In the first-stage regression, the results reveal that our instruments have a positive and statistically significant effect on media visibility. The reported values for the *F*-statistics are high, and the Cragg-Donald Wald *F*-statistic rejects the null hypothesis that the instruments are weak. In the second-stage regression, we use the predicted value for *MEDIA_ATTENTION* obtained in the first regression as the independent variable in the second stage. The results of this regression show a statistically significant positive effect of media coverage on dividend payout.

Additionally, although 2SLS and 3SLS enable us to address one source of endogeneity (reverse causality), they are not consistent estimators and do not eliminate another source of endogeneity: unobservable heterogeneity. To address this concern, we also use GMM. The results of the GMM estimation are reported in Table 4 (Model 3) and show a positive and statistically significant effect of media visibility on dividend payouts. Together, the results of these regressions are consistent with H1a, that is, the results support the hypothesis that media visibility reduces the potential for expropriation of minority shareholder wealth and incentivizes the use of dividends as a reputational mechanism.

With respect to the control variables, the GMM estimation shows a positive and statistically significant effect of *VOTING*, *ROA*, *QTOBINS*, *AGE*, and *SIZE* on dividend payout, whereas *DEBT* and *TANGIB* have a negative and statistically significant effect. Because the consistency of the GMM estimates must be tested, we include the Hansen test of instrument validity and the *m*₂ test, to confirm the absence of second-order autocorrelation in the regression. Moreover, we run Wald tests of joint

Table 3
Media attention and dividends: Three-stage least squares (3SLS).

	1	
	DIVTA (Eq. (1))	MEDIA_ATTENTION (Eq. (2))
DIVTA		-0.400 (-0.95)
MEDIA_ATTENTION	0.377*** (2.85)	
VOTING	0.027*** (4.65)	0.009 (0.79)
DEBT	-0.026*** (-3.70)	0.001 (0.13)
ROA	0.020*** (9.51)	0.100 (1.15)
QTOBIN	2.518*** (14.62)	0.861 (0.82)
AGE	0.007* (1.81)	0.004 (1.22)
TANGIB	-0.004 (-0.80)	-0.001 (-0.59)
SIZE	1.430*** (3.18)	0.500*** (28.50)
IBEX35		2.377*** (7.31)
CONSTANT	-4.350*** (-5.36)	2.570** (1.96)
Industry effect	Yes	Yes
Year effect	Yes	Yes
Wald χ^2 DIVTA	734.15***	
Wald χ^2 MEDIA_ATTENTION		342.88***
No. of observations	1184	1184

Notes: All the variables are described in Table 1. Statistics in parentheses are calculated with robust standard errors. ***, **, and * statistically significant at 1%, 5%, and 10%, respectively.

Table 4
Media attention and dividends.

	1	2	3
Dependent variable	First-stage regression		
	MEDIA_ATTENTION		
IBEX35	0.057*** (4.37)		
MERCO		0.060*** (5.28)	
Controls	Yes	Yes	
Industry effects	Yes	Yes	
Year effects	Yes	Yes	
F test	1191.81***	49.52***	
Cragg-Donald (CD) Wald F-statistic	978.34	49.52	
Anderson LM statistic	60.43***	86.23***	
Dependent variable	Second-stage regression		
	DIVTA		
MEDIA_ATTENTION	0.374*** (2.85)	0.450** (2.02)	0.895*** (5.36)
VOTING	0.027*** (4.79)	0.004* (1.69)	0.026*** (3.58)
DEBT	-0.026*** (-3.81)	-0.004*** (-7.60)	-0.020** (-2.05)
ROA	0.206*** (7.65)	0.138*** (16.06)	0.057*** (3.12)
QTOBIN	2.518*** (8.53)	0.962*** (9.13)	1.190*** (4.37)
AGE	0.007** (2.15)	0.001 (0.65)	0.035*** (2.38)
TANGIB	-0.003 (-0.82)	-0.005*** (-2.36)	-0.010* (-1.90)
SIZE	0.132 (0.31)	0.159 (1.13)	0.283*** (2.30)
CONSTANT	-4.420*** (-5.87)	-1.141 (-1.20)	-3.876*** (-4.11)
Industry effect	Yes	Yes	Yes
Year effect	Yes	Yes	Yes
F test	23.74***	104.02***	150.43***
Hansen Test			59.39
m ₂			0.73
z ₁			17.73***
z ₂			1.77*
z ₃			18.75***
No. of observations	1184	1184	1184

Notes: Models 1 and 2 are estimated with 2SLS and Model 3 with GMM. All the variables are described in Table 1. Statistics in parentheses are calculated with robust standard errors. ***, **, and * statistically significant at 1%, 5%, and 10%, respectively.

significance of the coefficients (z_1), of the time dummies (z_2), and of the industry dummies (z_3).

4.3. Robustness analysis

First, in this section, we run different analyses to ensure the robustness of our results and provide additional tests to provide further support for our findings. In order to test whether our results are affected by other biases, we run a set of regressions using different measures for dividend payouts (Table 5). Specifically, in Models 1 to 3 we consider alternative measures for our dependent variable. In Model 1, we use *DIVSALES*, defined as dividend payouts divided by sales. In Model 2, we use *PAYOUT*, defined as dividend payouts scaled by earnings. In Model 3, we analyze annual variations in the payment of dividends, Δ_DIVTA , related to annual variations in media coverage. The three models show a positive and statistically significant effect of media attention on dividend payout. Moreover, as stated in the previous literature, buybacks can be used as a reputation driver (Ota et al., 2019). In Model 4, we examine the effect of media attention on share buybacks and obtain a positive and significant effect. In Models 5 and 6 (Table 5), we test whether media attention can affect other

Table 5
Media attention and dividends: Robustness analysis I.

Dependent variable	1 <i>DIVSALES</i>	2 <i>PAYOUT</i>	3 Δ_DIVTA	4 <i>REPURCHASES</i>	5 <i>D_PAYER</i>	6 <i>D_CUT</i>
<i>MEDIA_ATTENTION</i>	0.895*** (12.85)	8.291*** (3.65)		0.003*** (4.13)	0.622*** (12.31)	-0.078*** (-12.29)
Δ <i>MEDIA_ATTENTION</i>			1.284*** (4.22)			
<i>VOTING</i>	0.009* (1.89)	0.194 (1.60)	0.050* (1.77)	0.002 (1.11)	0.010*** (4.74)	-0.005** (-2.24)
<i>DEBT</i>	-0.040*** (-7.37)	-0.491*** (-3.91)	-0.196*** (-5.54)	-0.001*** (-3.94)	-0.017*** (-6.50)	0.024*** (9.63)
<i>ROA</i>	0.051*** (6.52)	1.000*** (3.26)	0.150** (2.36)	0.002*** (3.72)	0.067*** (7.84)	0.019 (0.67)
<i>QTOBIN</i>	0.383*** (6.12)	-0.168 (-0.04)	-0.233 (-0.33)	0.006*** (5.14)	0.159** (2.12)	-0.048 (-0.29)
<i>AGE</i>	0.023** (2.34)	0.398** (1.93)	0.180*** (3.09)	0.004 (0.62)	-0.004*** (-2.87)	-0.0004 (-0.28)
<i>TANGIB</i>	-0.007** (-1.93)	0.039 (0.35)	0.014 (0.52)	0.001 (0.59)	-0.006*** (-2.48)	0.003 (0.94)
<i>SIZE</i>	0.494*** (3.49)	4.856 (1.54)	1.826*** (4.19)	0.001 (0.31)	0.250* (1.67)	0.212 (1.49)
<i>CONSTANT</i>	-0.824 (-1.37)	-284.479 (-1.17)	42.597*** (5.20)	1.004 (1.17)	-2.837*** (-7.99)	2.284** (2.45)
Year effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry effect	Yes	Yes	Yes	Yes	Yes	Yes
F test	273.25***	953.43***	326.80***	3752.37***		
Hansen test	78.81	55.28	26.78	53.59		
m ₂	-1.04	-0.12	1.48	0.33		
z ₁	2.75***	16.91***	5.22***	11.73***		
z ₂	20.06***	6.23***	4.00***	4.44***		
z ₃	28.67***	14.83***	18.56***	16.85***		
Log likelihood					-2091.543	-1542.872
Wald χ^2					397.57***	1153.85***
No. of observations	1184	1184	1101	1184	1184	702

Notes: Models 1 to 4 are estimated with GMM. Models 5 and 6 are estimated with IV Probit. Model 6 does not include firms that do not pay dividends. In Model 3, Δ_DIVTA and Δ *MEDIA_ATTENTION* is the variation in dividends and media coverage from time *t*-1 to *t*. All the variables are described in Table 1. Statistics in parentheses are calculated with robust standard errors. ***, **, and * statistically significant at 1%, 5%, and 10%, respectively.

variables related to dividend payments using IV probit models (IVProbit). In Model 5, we use the probability of dividend payments as the dependent variable, *D_PAYER*. The results of this model support our basic results, showing a positive and significant relationship between media attention and the probability of shareholder remuneration. In Model 6, we analyze whether media visibility encourages or prevents dividend cuts. We thus re-estimate the model using *D_CUT* as the dependent variable and observe a negative and significant effect on this relationship. All the results are consistent with our previous main findings.

Second, we estimate a set of models with a different estimation, sample, method of mediating media attention, or firm characteristics. Because the dependent variable can only be positive, in Model 1 in Table 6, we use the Tobit estimation, which shows a positive and significant impact of the firm's visibility in the media on dividend payment. Moreover, as about one-third of firms do not pay dividends, Model 2 does not include these firms in the regression. The results do not differ from the previous ones.

Media impact on firm behavior may also depend on diffusion and credibility (Dyck et al., 2008). Therefore, we test whether our results also hold for media coverage in Spain and in Anglo-American media. Models 3 and 4 consider alternative measures of media attention (*NATIONAL_PRESS*, *INTERNATIONAL_PRESS*), respectively. These models, which enable us to test firms' visibility in Spanish and international media, show a positive and statistically significant effect of media visibility on dividend payouts. However, the estimated

coefficients are higher for Spanish media coverage than for Anglo-American media coverage. In this sense, the results might indicate the greater importance of dividend policy for Spanish media and investors or the greater dependence on Spanish funds for financing firms (Dyck et al., 2008). Only 7 percent of Spanish firms are listed on other stock markets (Bona-Sánchez et al., 2019), hence, their funds are mainly domestic.

In addition, in Model 5 (Table 6), we consider only news items that focus on the dividend policy of the firm analyzed. The results show a positive and significant impact of this type of news on dividend payment. Moreover, the estimated coefficient is higher than those estimated earlier, indicating that media coverage that focuses on shareholder remuneration create a larger incentive for firms to use dividends as a reputational driver.

Models 6 and 7 in Table 6 show the impact on dividend policy of the tone of the news on the firms analyzed. In both models, media coverage has a positive and significant effect. However, the coefficient is higher for negative news than for positive news, indicating that when the news is unfavorable for the firm, the incentives to use dividends as a reputational driver increase. However, news that is favorable for the firm's image reduces the positive impact of dividend payments as a basis for a good reputation. In line with these arguments, Model 8 shows that negative news related to the firm's competitors has a negative and significant effect. This result indicates that when media attention is not favorable for the firm's competitors, the incentive for using dividends as a reputational instrument is reduced.

Table 6
Media attention and dividends: Robustness analysis II.

	1	2	3	4	5	6	7	8	9	10
<i>MEDIA_ATTENTION</i>	0.658** (1.94)	0.764*** (5.45)							0.285** (2.07)	0.238*** (2.69)
<i>NATIONAL_PRESS</i>			0.734*** (5.22)							
<i>INTERNATIONAL_PRESS</i>				0.465*** (4.05)						
<i>DIV_MEDIA_ATTENTION</i>					0.973*** (7.33)					
<i>MEDIA_NEGATIVE</i>						0.242*** (2.77)				
<i>MEDIA_POSITIVE</i>							0.010*** (2.69)			
<i>MEDIA_NEG_COMPETITORS</i>								-0.155*** (-3.01)		
<i>FAMY</i>									-2.458*** (-3.33)	
<i>MEDIA × FAMY</i>									0.311** (2.19)	
<i>FD</i>										-1.133** (-2.48)
<i>MEDIA × FD</i>										-0.200** (-2.16)
<i>VOTING</i>	0.010** (2.42)	-0.002 (-0.23)	0.035*** (5.46)	0.043*** (5.18)	0.028*** (4.99)	0.009*** (3.24)	0.004 (0.70)	-0.001 (-0.25)	0.032*** (5.72)	0.004* (1.74)
<i>DEBT</i>	-0.039*** (-8.55)	-0.014 (-1.19)	-0.009 (-1.11)	-0.021*** (-2.70)	-0.013* (-1.79)	-0.043*** (-4.21)	-0.037*** (-5.14)	-0.011* (-1.84)	-0.008*** (-7.19)	-0.006*** (-9.33)
<i>ROA</i>	0.187*** (12.99)	0.149*** (5.85)	0.077*** (5.41)	0.071*** (5.14)	0.048*** (3.12)	0.085*** (4.11)	0.065*** (4.84)	0.068*** (4.90)	0.207*** (13.52)	0.007 (1.30)
<i>QTOBIN</i>	1.202*** (8.80)	0.616** (2.37)	0.971*** (4.27)	1.467*** (5.00)	1.479*** (5.27)	2.529*** (7.98)	1.488*** (7.24)	0.661*** (3.09)	2.839*** (18.94)	0.434*** (13.23)
<i>AGE</i>	0.002 (1.12)	0.023* (1.66)	0.029* (1.88)	-0.017 (-1.47)	0.016** (2.29)	-0.007 (-0.70)	-0.011 (-0.77)	-0.026 (-1.15)	-0.002 (-0.59)	0.003 (0.20)
<i>TANGIB</i>	-0.009** (-2.56)	-0.006 (-0.51)	-0.005 (-1.12)	-0.003 (-0.65)	0.001 (0.21)	-0.005 (-0.66)	-0.004 (-0.69)	-0.003 (-0.60)	0.002 (0.48)	0.011*** (4.58)
<i>SIZE</i>	0.124 (0.60)	1.008*** (2.78)	0.403*** (3.77)	0.209*** (2.03)	0.025 (0.23)	0.510*** (4.23)	0.291** (2.65)	0.411** (2.51)	0.145 (1.53)	0.239*** (5.06)
<i>CONSTANT</i>	-6.228*** (-4.65)	12.268* (1.95)	-4.427*** (-4.11)	-3.881*** (-4.73)	-1.799** (-2.07)	-9.379** (-2.14)	7.374 (1.12)	-3.235 (-1.18)	-4.856*** (-4.24)	-3.115*** (-5.23)
Year effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wald χ^2 test	1028.02***									
Wald test exogeneity	5.14**									
F test		405.29***	141.26***	1033.58***	219.75***	2708.31***	402.36***	114.01***	2065.72***	2869.59***
Hansen test		38.45	61.20	55.66	59.37	30.31	60.27	52.48	56.62	46.79
m_2		-1.16	0.76	0.77	0.61	-0.68	0.05	-1.44	0.74	-1.10
z_1		30.94***	12.26***	33.88***	61.08***	13.36***	20.19***	7.87***	109.99***	979.85***
z_2		8.80***	6.73***	2.71***	6.95***	3.71***	25.80***	2.27**	112.04***	59.79***
z_3		19.76***	11.00***	26.49***	29.06***	40.14***	20.35***	14.61***	83.54***	59.77***
No. of observations	1184	702	1184	1184	1184	1184	1184	1184	1184	1184

Notes: The depended variable in all Models is DIVTA. Model 1 is estimated with the Tobit estimator, and Models 2 to 10 are estimated with GMM. Model 2 does not include firms that do not pay dividends. All the variables are described in Table 1. Statistics in parentheses are calculated with robust standard errors. ***, **, and * statistically significant at 1%, 5%, and 10%, respectively.

Finally, in Models 9 and 10 (Table 6), we analyze the moderating effect of two firm characteristics on the relationship between firm visibility in the media and dividend policy. Model 9 considers the effect of family ownership, because in Spain, as in most continental European countries, most listed firms have dominant family ownership (Faccio & Lang, 2002; La Porta et al., 1999). The results indicate that the family ownership has an impact on lower dividend payments. This supports the notion that family firms pay fewer dividends and that they prefer to invest in management, in the long-term health of the firm, and in the family's socioemotional wealth (Arregle et al., 2007; Cennamo et al., 2012; Madison et al., 2016; Miller et al., 2022). However, in accordance with previous findings, media coverage encourages family firms to increase shareholder remuneration. The second characteristic analyzed is the risk of bankruptcy, which is measured using Altman's Z score (Altman, 1968). The results in Model 10 indicate that firms with higher financial risk reduce the payment of dividends and that, as their media visibility increases, this reduction is greater. This result supports our hypothesis on the role of the media as a corporate governance mechanism in disciplining the activities of internal actors.

4.4. Further analysis

Lintner's (1956) seminal work shows that US firms tend to smooth their dividends. This tendency toward dividend stability despite earnings disturbances has been shown in other studies, some of which justify the presence of dividend smoothing found in agency conflicts and information asymmetry (Allen et al., 2000; Balli et al., 2022; Brav et al., 2005; Brennan & Thakor, 1990; Ellahie & Kaplan, 2021; Fernau & Hirsch, 2019; Guttman et al., 2010; Kumar, 1988; Leary & Michaely, 2011). However, the prevalence of dividend smoothing by firms with limited agency and information problems is an unresolved part of the dividend puzzle (Syed et al., 2018).

Shleifer and Vishny (1997), Gomes (2000), and DeAngelo and DeAngelo (2007) offer a complementary explanation as to why insiders have incentives for smoothing dividends, that is, as a reputational mechanism, in which dividend stability is related to the creation of an image linked to a commitment not to expropriate wealth from external investors, thereby encouraging fundraising in capital markets (La Porta et al., 2000). In this way, dividend smoothing is related to building a good reputation and credibility by managers and majority owners

Table 7
Media attention and dividend smoothing: IV estimator & GMM.

Dependent variable	1	2	3
	First-stage regression		
	<i>MEDIA_ATTENTION</i>		
<i>IBEX35</i>	1.733*** (20.64)		
<i>MERCO</i>		0.021*** (2.53)	
Controls	Yes	Yes	
Industry effects	Yes	Yes	
Year effects	Yes	Yes	
F test	426.03***	319.94***	
Cragg-Donald (CD) Wald F-statistic	357.97	22.21	
Anderson LM statistic	16.38	23.25	
Dependent variable	Second-stage regression		
	<i>SOA</i>		
<i>MEDIA_ATTENTION</i>	-0.098*** (-5.69)	-0.267*** (-3.43)	-0.048*** (-34.20)
<i>VOTING</i>	-0.007 (-1.24)	-0.001** (-2.35)	-0.005*** (-6.16)
<i>DEBT</i>	0.001 (1.50)	0.004 (0.38)	0.003*** (2.87)
<i>ROA</i>	0.012*** (4.63)	0.013*** (4.06)	0.012*** (29.26)
<i>QTOBIN</i>	-0.038** (-2.12)	-0.019 (-0.85)	-0.031*** (-10.64)
<i>AGE</i>	-0.005 (-1.40)	-0.0009* (-1.89)	-0.0004*** (-7.82)
<i>TANGIB</i>	-0.001** (-2.07)	-0.007 (-1.12)	-0.009*** (-11.62)
<i>SIZE</i>	0.155*** (2.83)	0.144*** (2.76)	0.013*** (6.79)
<i>CONSTANT</i>	0.671*** (6.34)	-0.498 (-1.29)	0.422*** (3.75)
Industry effect	Yes	Yes	Yes
Year effect	Yes	Yes	Yes
F test	13.99***	8.62***	2249.36***
Hansen Test			7.81
m ₂			-0.61
z ₁			377.75***
z ₂			883.56***
z ₃			28.52***
No. of observations	640	640	640

Notes: Models 1 and 2 are estimated with 2SLS, and Model 3 with GMM. We estimate the dependent variable (SOA) over the previous 8-year period and ensure that we have at least five years of continuous data. All the variables are described in Table 1. Statistics in parentheses are calculated with robust standard errors. ***, **, and * statistically significant at 1%, 5%, and 10%, respectively.

(Larkin et al., 2017). Thus, greater reputational concerns at firms with more media coverage may have an impact on dividend smoothing.

Following Leary and Michaely (2011), who propose a methodology closely related to the one proposed by Lintner (1956), we use the speed of adjustment (*SOA*) to measure dividend smoothing. *SOA* is an inverse measure of dividend smoothing: when the value of *SOA* is lower, the degree of dividend smoothing is higher, and vice versa. Thus we perform a two-step process. First, we estimate the target payout ratio (TPR_{it}) as the median payout over the previous eight-year period. Following Leary and Michaely (2011) and Syed et al. (2018), we ensured that we had at least five years of continuous data. Then we calculate the deviation (dev_i) in year t using the following equation:

$$dev_{it} = TPR_{it} \times E_{it} - D_{it-1}$$

where E_{it} is earnings per share, and D_{it-1} is the level of dividends per share (DPS) in the previous period. Second, we estimate *SOA* with the following regression:

$$\Delta D_{it} = \alpha + \beta_1 dev_{it} + \varepsilon_{it}$$

SOA is the coefficient on the deviation variable (β).

Table 7 (Models 1–3) shows the results of the impact of media attention on *SOA*. The models show that media visibility has a negative impact on *SOA* and, consequently, increases dividend smoothing. This result supports our earlier findings—that is, firms smooth dividends in an effort to build up their reputation. Firms with more media coverage have a greater incentive for using dividend smoothing as a reputational instrument. This result supports the idea that reputation is a determining factor in a setting with weak legal protection, because when firms face greater media visibility, they prefer to bear the cost of paying and smoothing dividends in the hope of obtaining higher profits due to having a positive public image.

5. Conclusions

Despite the great interest in shareholder profit decisions, current research has failed to reach any consensus concerning the influence of corporate governance mechanisms on dividend policy. In addition, very few studies have looked at how specific extralegal external mechanisms may affect the distribution of dividends. To the best of our knowledge, no prior study has focused on the relationship between the media and dividends. To fill this gap, this study explores the effect of media attention as an extralegal corporate governance mechanism on shareholder profit decisions in the context of continental Europe.

The findings reveal that dividend payment decisions are closely related to the firm's media exposure. Greater firm visibility leads to greater awareness of the actions of managers and dominant owners, thereby reducing the incentive for expropriation and increasing interest in protecting shareholder wealth through a more generous profit-sharing system as a way to build a good reputation. Thus, media attention acts as a driver of dividend policy by disseminating information about

firms and thereby influencing their public image. Media scrutiny plays a complementary role in dividend payout, making the actions of managers and dominant owners more visible to a wide audience. Moreover, the results indicate that media visibility encourages not only higher dividends but also dividend smoothing—in both instances as part of an attempt to build reputation and credibility with external investors. In this way, the media motivate the use of dividend policy as an instrument that can favor raising external funds in a setting with weak corporate governance.

The study makes several contributions to the literature. First, it contributes to the literature on agency theory, as the media reveal activities by managers and dominant owners to stakeholders, thereby limiting their ability to obtain private benefits and enabling more available resources to be distributed among shareholders. Second, this study extends current understanding of the relationship between cultural and social factors in dividend policy, exploring the role of the media as an extralegal corporate governance mechanism. Third, it contributes to the literature focused on analyzing the media and highlights its importance in corporate decisions related to dividend distribution, which is especially critical in an environment with weak legal protection for minority shareholders. This research may be of interest to policy makers because it shows that fostering policies and other initiatives that facilitate the role of the media to support freedom of the press can encourage dividend distribution. Finally, our work opens up several avenues for future research. It could be enlightening to reflect on how social media affect dividend policy. In addition, examining the impact of firm analysts on payout policy would also shed further light on the topic.

Declaration of competing interest

No conflict of interest.

Acknowledgments

The authors are grateful to the anonymous referee for her/his suggestions and comments. This work was supported by the Ministry of Science and Innovation (Project PID2021-124053OB-I00). Any remaining errors are solely the authors' responsibility.

References

- Adjaoud, F., & Ben-Amar, W. (2010). Corporate governance and dividend policy: Shareholders' protection or expropriation? *Journal of Business Finance & Accounting*, 37(5-6), 648–667.
- Ahern, K. R., & Sosyura, D. (2014). Who writes the news? Corporate press releases during merger negotiations. *The Journal of Finance*, 69, 241–291.
- Aivazian, V., Booth, L., & Cleary, S. (2003). Do emerging market firms follow different dividend policies from US firms? *Journal of Financial Research*, 26(3), 371–387.
- Allen, F., Bernardo, A. E., & Welch, I. (2000). A theory of dividends based on tax clienteles. *The Journal of Finance*, 55(6), 2499–2536.
- Allen, F., & Michaely, R. (2003). Payout policy. *Handbook of the Economics of Finance*, 1, 337–429.

- Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *The Journal of Finance*, 23(4), 589–609.
- Aman, H., & Moriyasu, H. (2022). Effect of corporate disclosure and press media on market liquidity: Evidence from Japan. *International Review of Financial Analysis*, 82, Article 102167.
- Ambarish, R., John, K., & Williams, J. (1987). Efficient signalling with dividends and investments. *The Journal of Finance*, 42(2), 321–343.
- Arregle, J. L., Hitt, M. A., Sirmon, D. G., & Very, P. (2007). The development of organizational social capital: Attributes of family firms. *Journal of Management Studies*, 44(1), 73–95.
- Asem, E., & Alam, S. (2015). Market movements and the excess cash theory. *The Quarterly Review of Economics and Finance*, 55, 140–149.
- Bae, K. H., El Ghouli, S., Guedhami, O., & Zheng, X. (2021). Board reforms and dividend policy: International evidence. *Journal of Financial and Quantitative Analysis*, 56(4), 1296–1320.
- Baker, H. K., Nofsinger, J. R., & Weaver, D. G. (2002). International cross-listing and visibility. *Journal of Financial and Quantitative Analysis*, 37, 495–521.
- Baker, H. K., & Weigand, R. (2015). Editorial introduction to the special issue on dividends and dividend policy. *Managerial Finance*, 41(2).
- Baker, M., & Wurgler, J. (2004a). A catering theory of dividends. *The Journal of Finance*, 59(3), 1125–1165.
- Baker, M., & Wurgler, J. (2004b). Appearing and disappearing dividends: The link to catering incentives. *Journal of Financial Economics*, 73(2), 271–288.
- Balli, F., Agyemang, A., Gregory-Allen, R., & Balli, H. O. (2022). Corporate dividend smoothing: The role of cross-listing. *Journal of Corporate Finance*, 72, Article 102151.
- Barclay, M. J., Holderness, C. G., & Sheehan, D. P. (2009). Dividends and corporate shareholders. *Review of Financial Studies*, 22(6), 2423–2455.
- Baron, D. P. (2008). Managerial contracting and corporate social responsibility. *Journal of Public Economics*, 92(1–2), 268–288.
- Barros, V., Matos, P. V., & Sarmiento, J. M. (2020). What firm's characteristics drive the dividend policy? A mixed-method study on the euronext stock exchange. *Journal of Business Research*, 115, 365–377.
- Barros, V., Matos, P. V., Sarmiento, J. M., & Vieira, P. R. (2021). Do activist shareholders influence a manager's decisions on a firm's dividend policy: A mixed-method study. *Journal of Business Research*, 122, 387–397.
- Baum, C. F., Schaffer, M. E., & Stillman, S. (2011). Using STATA for applied research: Reviewing its capabilities. *Journal of Economic Surveys*, 25, 380–394.
- Bednar, M. K. (2012). Watchdog or lapdog? A behavioral view of the media as a corporate governance mechanism. *Academy of Management Journal*, 55, 131–150.
- Bhattacharya, S. (1979). Imperfect information, dividend policy, and “the bird in the hand” fallacy. *The Bell Journal of Economics*, 259–270.
- Bilel, H., & Mondher, K. (2021). What can explain catering of dividend? Environment information and investor sentiment. *Journal of Economics and Finance*, 45, 428–450.
- Blundell, R., & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics*, 87, 115–143.
- Bøhren, Ø., Josefsen, M. G., & Steen, P. E. (2012). Stakeholder conflicts and dividend policy. *Journal of Banking & Finance*, 36(10), 2852–2864.
- Bona-Sánchez, C., Pérez-Alemán, J., & Santana-Martín, D. J. (2019). Earnings credibility in politically connected family firms. *The British Accounting Review*, 51(3), 316–332.
- Bona-Sánchez, C., Pérez-Alemán, J., & Santana-Martín, D. J. (2023). Media visibility and corporate social responsibility investment evidence in Spain. *Business Ethics, the Environment & Responsibility*, 32(1), 94–107.
- Borghesi, R., Houston, J. F., & Naranjo, A. (2014). Corporate socially responsible investments: CEO altruism, reputation, and shareholder interests. *Journal of Corporate Finance*, 26, 164–181.
- Brav, A., Graham, J. R., Harvey, C. R., & Michaely, R. (2005). Payout policy in the 21st century. *Journal of Financial Economics*, 77(3), 483–527.
- Brennan, M. J., & Thakor, A. V. (1990). Shareholder preferences and dividend policy. *The Journal of Finance*, 45(4), 993–1018.
- Brown, J. R., Liang, N., & Weisbenner, S. (2007). Executive financial incentives and payout policy: Firm responses to the 2003 dividend tax cut. *The Journal of Finance*, 62(4), 1935–1965.
- Bushee, B. J., Core, J. E., Guay, W., & Hamm, S. J. (2010). The role of the business press as an information intermediary. *Journal of Accounting Research*, 48(1), 1–19.
- Cahan, R. H., Cahan, S. F., Lee, T., & Nguyen, N. H. (2017). Media content, accounting quality, and liquidity volatility. *European Accounting Review*, 26, 1–25.
- Cennamo, C., Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socio-emotional wealth and proactive stakeholder engagement: Why family-controlled firms care more about their stakeholders. *Entrepreneurship Theory and Practice*, 36(6), 1153–1173.
- Chahine, S., Mansi, S., & Mazboudi, M. (2015). Media news and earnings management prior to equity offerings. *Journal of Corporate Finance*, 35, 177–195.
- Chen, J., Leung, W. S., & Goergen, M. (2017). The impact of board gender composition on dividend payouts. *Journal of Corporate Finance*, 43, 86–105.
- Chetty, R., & Saez, E. (2005). Dividend taxes and corporate behavior: Evidence from the 2003 dividend tax cut. *Quarterly Journal of Economics*, 120(3), 791–833.
- Claessens, S., Djankov, S., & Lang, L. H. (2000). The separation of ownership and control in East Asian corporations. *Journal of Financial Economics*, 58(1–2), 81–112.
- Choi, T. H., & Jung, J. (2008). Ethical commitment, financial performance, and valuation: An empirical investigation of Korean companies. *Journal of Business Ethics*, 81, 447–463.
- Core, J. E., Guay, W., & Larcker, D. F. (2008). The power of the pen and executive compensation. *Journal of Financial Economics*, 88, 1–25.
- Cuervo, A. (2002). Corporate governance mechanisms: A plea for less code of good governance and more market control. *Corporate Governance: An International Review*, 10(2), 84–93.
- Dahlquist, M., Robertsson, G., & Rydqvist, K. (2014). Direct evidence of dividend tax clienteles. *Journal of Empirical Finance*, 28, 1–12.
- Dang, T. L., Dang, M., Hoang, L., Nguyen, L., & Phan, H. L. (2020). Media coverage and stock price synchronicity. *International Review of Financial Analysis*, 67, Article 101430.
- Davaadorj, Z. (2019). Does social capital affect dividend policy? *Journal of Behavioral and Experimental Finance*, 22, 116–128.
- DeAngelo, H., & DeAngelo, L. (2007). Capital structure, payout policy, and financial flexibility. *Marshall School of Business working paper no. FBE*, 02–06.
- DeAngelo, H., DeAngelo, L., & Stulz, R. M. (2006). Dividend policy and the earned/contributed capital mix: A test of the life-cycle theory. *Journal of Financial Economics*, 81(2), 227–254.
- Delgado-García, J. B., De Quevedo-Puente, E., & De La Fuente-Sabaté, J. M. (2010). The impact of ownership structure on corporate reputation: Evidence from Spain. *Corporate Governance: An International Review*, 18(6), 540–556.
- Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2008). The law and economics of self-dealing. *Journal of Financial Economics*, 88, 430–465.
- Donker, H., Poff, D., & Zahir, S. (2008). Corporate values, codes of ethics, and firm performance: A look at the Canadian context. *Journal of Business Ethics*, 82, 527–537.
- Drake, M. S., Guest, N. M., & Twedt, B. J. (2014). The media and mispricing: The role of the business press in the pricing of accounting information. *The Accounting Review*, 89, 1673–1701.
- Dyck, A., Volchkova, N., & Zingales, L. (2008). The corporate governance role of the media: Evidence from Russia. *The Journal of Finance*, 63, 1093–1135.
- Dyck, A., & Zingales, L. (2002). *The corporate governance role of the media*. NBER: Working Paper.
- Easterbrook, F. H. (1984). Two agency-cost explanations of dividends. *The American Economic Review*, 74(4), 650–659.

- Ed-Dafali, S., Patel, R., & Iqbal, N. (2023). A bibliometric review of dividend policy literature. *Research in International Business and Finance*, Article 101987.
- Ellahie, A., & Kaplan, Z. (2021). Show me the money! Dividend policy in countries with weak institutions. *Journal of Accounting Research*, 59(2), 613–655.
- Engelberg, J. E., & Parsons, C. A. (2011). The causal impact of media in financial markets. *The Journal of Finance*, 66(1), 67–97.
- Faccio, M., & Lang, L. H. (2002). The ultimate ownership of Western European corporations. *Journal of Financial Economics*, 65(3), 365–395.
- Faccio, M., Lang, L. H. P., & Young, L. (2001). Dividends and expropriation. *The American Economic Review*, 91(1), 54–78.
- Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy*, 88(2), 288–307.
- Fama, E. F., & French, K. R. (2001). Disappearing dividends: Changing firm characteristics or lower propensity to pay? *Journal of Financial Economics*, 60(1), 3–43.
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics*, 26(2), 301–325.
- Fang, L., & Peress, J. (2009). Media coverage and the cross-section of stock returns. *The Journal of Finance*, 64, 2023–2052.
- Fan, J. P., & Wong, T. J. (2002). Corporate ownership structure and the informativeness of accounting earnings in East Asia. *Journal of Accounting and Economics*, 33(3), 401–425.
- Farag, H., Mallin, C., & Ow-Yong, K. (2014). Governance, ownership structure, and performance of entrepreneurial IPOs in AIM companies. *Corporate Governance: An International Review*, 22(2), 100–115.
- Farinha, J. (2003). Dividend policy, corporate governance and the managerial entrenchment hypothesis: An empirical analysis. *Journal of Business Finance & Accounting*, 30(9-10), 1173–1209.
- Farooq, O., & Ahmed, N. (2019). Dividend policy and political uncertainty: Evidence from the US presidential elections. *Research in International Business and Finance*, 48, 201–209.
- Farrell, K. A., & Whidbee, D. A. (2002). Monitoring by the financial press and forced CEO turnover. *Journal of Banking & Finance*, 26, 2249–2276.
- Fernández Sánchez, J. L., & Luna Sotorrió, L. (2007). The creation of value through corporate reputation. *Journal of Business Ethics*, 76, 335–346.
- Fernau, E., & Hirsch, S. (2019). What drives dividend smoothing? A meta regression analysis of the lintner model. *International Review of Financial Analysis*, 61, 255–273.
- Fischer, K., & Khoury, N. (2007). The impact of ethical ratings on Canadian security performance: Portfolio management and corporate governance implications. *The Quarterly Review of Economics and Finance*, 47, 40–54.
- Fiss, P. C., & Zajac, E. J. (2006). The symbolic management of strategic change: Sense giving via framing and decoupling. *Academy of Management Journal*, 49, 1173–1193.
- Flavin, T., & O'Connor, T. (2017). Reputation building and the lifecycle model of dividends. *Pacific-Basin Finance Journal*, 46, 177–190.
- Franc-Dbrowska, J., & Mađra-Sawicka, M. (2020). Determinants of dividend payout decisions—the case of publicly quoted food industry enterprises operating in emerging markets. *Economic Research-Ekonomska istraživanja*, 33(1), 1108–1129.
- n.d. Freedom House. (2020). *Freedom of the press index* <https://bit.ly/3Ya1WkP>
- García-Castro, R., Ariño, M. A., & Canela, M. A. (2010). Does social performance really lead to financial performance? Accounting for endogeneity. *Journal of Business Ethics*, 92(1), 107–126.
- García-Meca, E., López-Iturriaga, F. J., & Santana-Martín, D. J. (2022). Board gender diversity and dividend payout: The critical mass and the family ties effect. *International Review of Financial Analysis*, 79, 101973.
- García-Meca, E., López-Iturriaga, F., & Tejerina-Gaite, F. (2017). Institutional investors on boards: Does their behavior influence corporate finance? *Journal of Business Ethics*, 146(2), 365–382.
- Gomes, A. (2000). Going public without governance: Managerial reputation effects. *The Journal of Finance*, 55, 615–646.
- Goyal, S. (2019). The dividend puzzle misspecification—Why the role of dividends is not what people think. *Cogent Economics & Finance*, 7(1), Article 1649000.
- Graham, J. R., & Kumar, A. (2006). Do dividend clienteles exist? Evidence on dividend preferences of retail investors. *The Journal of Finance*, 61(3), 1305–1336.
- Gras-Gil, E., Manzano, M. P., & Fernández, J. H. (2016). Investigating the relationship between corporate social responsibility and earnings management: Evidence from Spain. *BRQ Business Research Quarterly*, 19(4), 289–299.
- Gugler, K., & Yurtoglu, B. B. (2003). Corporate governance and dividend payout policy in Germany. *European Economic Review*, 47(4), 731–758.
- Guttman, I., Kadan, O., & Kandel, E. (2010). Dividend stickiness and strategic pooling. *Review of Financial Studies*, 23(12), 4455–4495.
- Gyapong, E., Ahmed, A., Ntim, C. G., & Nadeem, M. (2021). Board gender diversity and dividend policy in Australian listed firms: The effect of ownership concentration. *Asia Pacific Journal of Management*, 38, 603–643.
- Ham, C. G., Kaplan, Z. R., & Leary, M. T. (2020). Do dividends convey information about future earnings? *Journal of Financial Economics*, 136(2), 547–570.
- Hanlon, M., & Hoopes, J. L. (2014). What do firms do when dividend tax rates change? An examination of alternative payout responses. *Journal of Financial Economics*, 114(1), 105–124.
- Hooghiemstra, R., Kuang, Y. F., & Qin, B. (2015). Say-on-pay votes: The role of the media. *European Accounting Review*, 24(4), 753–778.
- Hussain, A., & Akbar, M. (2022). Dividend policy and earnings management: Do agency problem and financing constraints matter? *Borsa Istanbul Review*, 22(5), 839–853.
- Isakov, D., & Weisskopf, J. P. (2015). Pay-out policies in founding family firms. *Journal of Corporate Finance*, 33, 330–344.
- Jacob, M., & Michaely, R. (2017). Taxation and dividend policy: The muting effect of agency issues and shareholder conflicts. *Review of Financial Studies*, 30(9), 3176–3222.
- Jansson, A. (2013). “Real owners” and “common investors”: Institutional logics and the media as a governance mechanism. *Corporate Governance: An International Review*, 21, 7–25.
- Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *The American Economic Review*, 76(2), 323–329.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Jensen, M. C., & Meckling, W. H. (1995). Specific and general knowledge, and organizational structure. *The Journal of Applied Corporate Finance*, 8(2), 4–18.
- Jiraporn, P., Kim, J. C., & Kim, Y. S. (2011). Dividend payouts and corporate governance quality: An empirical investigation. *Financial Review*, 46(2), 251–279.
- Jiraporn, P., & Ning, Y. (2006). Dividend policy, shareholder rights, and corporate governance. *Journal of Applied Finance*, 16(2), 24–36.
- John, K., Knyazeva, A., & Knyazeva, D. (2015). Governance and payout precommitment. *Journal of Corporate Finance*, 33, 101–117.
- John, K., & Williams, J. (1985). Dividends, dilution, and taxes: A signalling equilibrium. *The Journal of Finance*, 40(4), 1053–1070.
- Kaplan, Z., & Pérez-Cavazos, G. (2022). Investment as the opportunity cost of dividend signaling. *The Accounting Review*, 97(3), 279–308.
- Kuhnen, C. M., & Niessen, A. (2012). Public opinion and executive compensation. *Management Science*, 58(7), 1249–1272.
- Kumar, P. (1988). Shareholder-manager conflict and the information content of dividends. *Review of Financial Studies*, 1(2), 111–136.
- Kuo, L. W. (2017). Reputation as a governance mechanism? Evidence from payout policy of insider-controlled firms in Taiwan. *Journal of Business Finance & Accounting*, 44(9–10), 1443–1476.
- La Porta, R. L., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, 106(6), 1113–1155.

- La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *The Journal of Finance*, 54(2), 471–517.
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (2000). Agency problems and dividend policies around the world. *The Journal of Finance*, 55(1), 1–33.
- Lang, L. H., & Litzenberger, R. H. (1989). Dividend announcements: Cash flow signalling vs. free cash flow hypothesis? *Journal of Financial Economics*, 24(1), 181–191.
- Larkin, Y., Leary, M. T., & Michaely, R. (2017). Do investors value dividend-smoothing stocks differently? *Management Science*, 63(12), 4114–4136.
- Lauterbach, B., & Pajuste, A. (2017). The media and firm reputation roles in corporate governance improvements: Lessons from European dual class share unifications. *Corporate Governance: An International Review*, 25, 4–19.
- Leary, M. T., & Michaely, R. (2011). Determinants of dividend smoothing: Empirical evidence. *Review of Financial Studies*, 24(10), 3197–3249.
- Li, W., & Lie, E. (2006). Dividend changes and catering incentives. *Journal of Financial Economics*, 80(2), 293–308.
- Lin, D., & Lin, L. (2020). Does corporate governance affect the critical corporate policies such as dividend policy? *International Journal of Economics and Financial Issues*, 10(6), 18–24.
- Lintner, J. (1956). Distribution of incomes of corporations among dividends, retained earnings, and taxes. *The American Economic Review*, 46(2), 97–113.
- Liu, B., & McConnell, J. J. (2013). The role of the media in corporate governance: Do the media influence managers' capital allocation decisions? *Journal of Financial Economics*, 110, 1–17.
- Liu, B., McConnell, J. J., & Xu, W. (2017). The power of the pen reconsidered: The media, CEO human capital, and corporate governance. *Journal of Banking & Finance*, 76, 175–188.
- López-Iturriaga, F. J., & Santana-Martín, D. J. (2019). The payout policy of politically connected firms: Tunnelling or reputation? *The North American Journal of Economics and Finance*, 50, Article 101025.
- Madison, K., Holt, D. T., Kellermanns, F. W., & Ranft, A. L. (2016). Viewing family firm behavior and governance through the lens of agency and stewardship theories. *Family Business Review*, 29(1), 65–93.
- Malmendier, U., & Tate, G. (2009). Superstar CEOs. *Quarterly Journal of Economics*, 124(4), 1593–1638.
- Mancinelli, L., & Ozkan, A. (2006). Ownership structure and dividend policy: Evidence from Italian firms. *The European Journal of Finance*, 12(3), 265–282.
- Maury, C. B., & Pajuste, A. (2002). Controlling shareholders, agency problems, and dividend policy in Finland. *LTA*, 1(2), 15–45.
- Meza, N., Báez, A., Rodríguez, J., & Toledo, W. (2020). The dividend signaling hypothesis and the corporate life cycle. *Managerial Finance*, 46(12), 1569–1587.
- Michaely, R., & Moin, A. (2022). Disappearing and reappearing dividends. *Journal of Financial Economics*, 143(1), 207–226.
- Miller, G. S. (2006). The press as a watchdog for accounting fraud. *Journal of Accounting Research*, 44, 1001–1033.
- Miller, D., Amore, M. D., Quarato, F., & Corbetta, G. (2022). Family ownership dispersion and dividend payout in family firms. *Journal of Family Business Strategy*, 13(3), Article 100436.
- Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *Journal of Business*, 34(4), 411–433.
- Miller, M. H., & Rock, K. (1985). Dividend policy under asymmetric information. *The Journal of Finance*, 40(4), 1031–1051.
- Myers, S. C. (1998). *Outside equity financing*. NBER Working Paper.
- Naeem, M., & Khuram, S. (2020). Does a CEO's culture affect dividend policy? *Finance Research Letters*, 35, Article 101302.
- Nissim, D., & Ziv, A. (2001). Dividend changes and future profitability. *The Journal of Finance*, 56(6), 2111–2133.
- Noe, T. H., & Rebbello, M. J. (1996). Asymmetric information, managerial opportunism, financing, and payout policies. *The Journal of Finance*, 51(2), 637–660.
- Odrozola, M. D., & Baraibar-Diez, E. (2017). Is corporate reputation associated with quality of CSR reporting? Evidence from Spain. *Corporate Social Responsibility and Environmental Management*, 24(2), 121–132.
- Ota, K., Kawase, H., & Lau, D. (2019). Does reputation matter? Evidence from share repurchases. *Journal of Corporate Finance*, 58, 287–306.
- Peña-Martel, D., Pérez-Alemán, J., & Santana-Martín, D. J. (2022). Media visibility and board gender diversity. *Business Ethics, the Environment & Responsibility*, 31(1), 192–208.
- Pindado, J., Requejo, I., & de la Torre, C. (2012). Do family firms use dividend policy as a governance mechanism? Evidence from the euro zone. *Corporate Governance: An International Review*, 20(5), 413–431.
- Pindado, J., Requejo, I., & De la Torre, C. (2014). Family control, expropriation, and investor protection: A panel data analysis of Western European corporations. *Journal of Empirical Finance*, 27, 58–74.
- Pollock, T. G., & Rindova, V. P. (2003). Media legitimation effects in the market for initial public offerings. *Academy of Management Journal*, 46, 631–642.
- Rodrigues, R., Felício, J. A., & Matos, P. V. (2020). Corporate governance and dividend policy in the presence of controlling shareholders. *Journal of Risk and Financial Management*, 13(8), 162.
- Ruiz-Mallorquí, M. V., & Santana-Martín, D. J. (2011). Dominant institutional owners and firm value. *Journal of banking & finance*, 35(1), 118–129.
- Sacristán-Navarro, M., & Gómez-Ansón, S. (2007). Family ownership and pyramids in the Spanish market. *Family Business Review*, 20(3), 247–265.
- Salah, B. O., & Jarbou, A. (2022). Dividend policy, earnings management and the moderating effect of corporate governance in the French context. *Journal of Financial Economic Policy*, 14(3), 356–380.
- Shao, L., Kwok, C. C., & Guedhami, O. (2010). National culture and dividend policy. *Journal of International Business Studies*, 41(8), 1391–1414.
- Shleifer, A., & Vishny, R. W. (1986). Large shareholders and corporate control. *Journal of Political Economy*, 94(3, Part 1), 461–488.
- Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance*, 52(2), 737–783.
- Syed, K. B. S., Zainir, F. B., & Isa, M. (2018). Does reputation matter in the dividend smoothing policy of emerging market firms? Empirical evidence from India. *Borsa İstanbul Review*, 18(3), 191–204.
- Tetlock, P. C. (2007). Giving content to investor sentiment: The role of media in the stock market. *The Journal of Finance*, 62(3), 1139–1168.
- Truong, T., & Heaney, R. (2007). Largest shareholder and dividend policy around the world. *The Quarterly Review of Economics and Finance*, 47(5), 667–687.
- Watts, R. (1973). The information content of dividends. *Journal of Business*, 46(2), 191–211.
- Wiesenfeld, B. M., Wurthmann, K. A., & Hambrick, D.C. (2008). The stigmatization and devaluation of elites associated with corporate failures: A process model. *Academy of Management Review*, 33, 231–251.
- Yu, X., Wang, Y., Chen, Y., & Wang, G. (2021). Dividend payouts and catering to demands: Evidence from a dividend tax reform. *International Review of Financial Analysis*, 77, Article 101841.
- Zheng, C., & Ashraf, B. N. (2014). National culture and dividend policy: International evidence from banking. *Journal of Behavioral and Experimental Finance*, 3, 22–40.
- Zyglidopoulos, S. C., Georgiadis, A. P., Carroll, C. E., & Siegel, D. S. (2012). Does media attention drive corporate social responsibility? *Journal of Business Research*, 65, 1622–1627.