



## A systematic literature review analysis dividend policy in the era of pandemic Covid-19

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### ABSTRACT

This article presents a systematic literature review using qualitative content analysis, we found that during crisis conditions caused by the COVID-19 pandemic, corporate companies tend to increase dividend payouts compared to the previous year, with the aim of maintaining positive signals to the stock market. There are several factors that influence dividend policy. Factors such as profitability, firm age, and financial leverage have a positive influence on dividend policy, while firm size has a negative influence. In addition, dividend policy is also positively influenced by the previous year's dividend and the level of dividend payments in the previous period.

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### 1. INTRODUCTION

Since it started in January 2020 in China, the COVID-19 pandemic has caused a global disaster. As of 22 May 2023, there were 766.9 Million confirmed cases and a total of 6.93 Million deaths worldwide. (<https://www.who.int>). In addition to the risk to comfort, the pandemic also carries significant economic consequences. The economy was particularly stressed in 2020, when we had little knowledge of the virus' spread patterns and no vaccine was yet available. Policies as well as social distancing implemented in response to COVID-19 led to the closure of most economic activities and negatively impacted the operations of corporate companies. A number of literatures have on the operations of companies that the COVID-19 pandemic outbreak negatively impacted stock prices (Ashraf, 2021; Bavel et al., 2020; Hoang et al., 2020; Mazur et al., 2021; Ramelli & Wagner, 2020). In response, companies are not only making changes in day-to-day operations, such as implementing work-from-home policies, but also changing decisions related to financing and investment, including dividend payout policies. (Didier et al., 2021; Meyer et al., 2022; Wang et al., 2020).

Previous research has revealed that the crisis that occurred in 2008 to 2009 had a depressing impact and even eliminated dividend distribution (Reddemann, 2010). For example, in the US from 2006 to 2009, corporate dividend policy experienced a negative shift without considering financial performance (Hauser, 2013). Research also shows that the banking crisis in Europe led to a tendency to reduce or not distribute dividends to shareholders in order to maintain the stability of the company's business. (Basse et al.,

2014). In Nigeria, the decline in dividend rate in the industry is attributed to the decline in corporate cash flow, giving a negative signal of performance (Abdulkadir et al., 2015).

During the 2008 financial crisis in the United States, Australia, Germany, Japan, China and South Korea, there was a decline in dividend payout ratios. During the COVID-19 pandemic, the United States saw a decline in the dividend rate, with factors such as net income and the level of liabilities also having an effect (Krieger et al., 2021). During the crisis conditions due to the COVID-19 pandemic in 2020, there was a decrease in dividend payment rates for companies included in the S&P 500, EuroS xx50, and FTSE 100 indices (Cejnek et al., 2021)

In contrast to these studies, the approach used by (H. Ali, 2022) which provides a more comprehensive picture and a better understanding of firms' dividend policy decisions during the pandemic. The results show that despite the serious disruption caused by the pandemic, most companies were able to maintain or even increase their dividend payments, with the aim of maintaining a more stable dividend policy in the face of the pandemic crisis.

Based on previous research, this study is held to be a literature material for further research if you want to research on the same topic and also as a consideration for companies in making dividend policy decisions. So that questions arise regarding how the company's dividend policy is determined during times of crisis? in the context of signalling theory, do companies tend to increase dividend distributions to provide positive signals about good performance? on the other hand, are some companies more inclined to suppress or not distribute dividends when facing a crisis?

## 2. RESEARCH METHOD

A systematic review should follow a pre-established protocol, which is a plan of action that will determine the methods to be used in the research. This protocol is generally accepted as valid research in social science studies. These rules have great importance in avoiding researcher bias in data selection and analysis as well as increasing the reliability of the review conducted (Xiao & Watson, 2019).

In this section, we describe the systematic steps taken to extract data using specific channels, specific keywords, inclusion and exclusion criteria. This process refers to the PRISMA framework (see figure 1). Subsequently, the extracted studies have been qualitatively classified and synthesised to gain a deeper understanding.

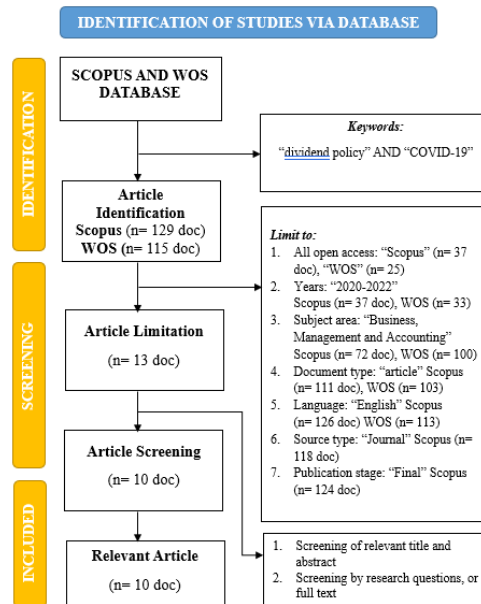


Figure 1. Flowchart PRISMA of data Search Process

Figure 1 shows the channels used to search the literature. We used two sources suggested by Xiao and Watson in 2019, namely the Web of Science (WOS) Electronic Database and Scopus. WOS has the longest index coverage from 1900 to the present, while Scopus has a wide coverage of quality academic works, although there is overlap in the articles found in both databases to avoid missing high-impact documents. Data extraction from Scopus and WOS was conducted on 15 May 2023.

To capture the essence of this research objective, we conducted a data search using Web of Science and Scopus. A total of 10 and 3 articles, respectively, were extracted based on the identified keywords. The retrieved data were then screened using the Preferred Reporting Items for Systematic reviews and Meta-Analyses (PRISMA), which describes the wala screening steps, inclusion and exclusion parameters.

- a. Inclusion Parameters, (a) Publications from 2020-2023, (b) Open access articles, (c) Research field; Business management, social sciences, economics, econometrics, accounting and finance, (d) Source type: Journal, (e) Document type: Article
- b. Exclusion parameters, (a) Incomplete and non-English publications, (b) Conference reviews, books, chapters, reviews, books, conference papers, and surveys are not included, (c) Articles that are in the process of being published, (d) Collaborative peer review-based exclusion of author selection and evaluation.

After the electronic screening process, a double screening was conducted by the four authors. From there, 4 studies were filtered out as they did not fulfil the criteria that concerned the outcome of interest (dividend policy). Finally, 10 studies were selected that met the criteria.

### 3. RESULTS AND DISCUSSIONS

In the data retrieval process, the inclusion step involved selecting 10 articles from a total of 14 articles for comprehensive text analysis. The results of the data analysis presented below are descriptions arranged in a predetermined order based on the research statements.

Table 1. Literature review on dividend policy in the era of pandemic COVID-19

Author	Judul	Jurnal	Hasil
(H. Ali, 2022)	Corporate Dividend Policy in the time of COVID-19: Evidence from the G-12 countries	Finance Research Letters	There has been a significant increase in dividend cuts and reductions during the pandemic, but most companies have been able to maintain or even increase their dividends.
(Fidiana et al., 2023)	Corporate Concern report in early pandemic situation: Evidence from Indonesia	Heliyon	The results show the importance of leverage, audit quality, prior opinion, and dividend policy in ensuring corporate GC.
(N. Ali et al., 2022)	Corporate Dividend Policies during the COVID-19 Pandemic.	Economies	During the 2020 pandemic year, companies tend to be more reluctant to pay or reduce dividend payments compared to the trend in the years before COVID-19, namely in the 2015-2019 period.
(Tran, 2022)	How do depositors respond to bank dividend policy? evidence from market discipline, global financial crisis and COVID-19 Pandemic	Asian Academy of Management Journal of Accounting and Finance	The research findings suggest that dividends by banks help reduce information asymmetry between insiders and outsiders, as well as provide the advantage of lower funding costs compared to banks that pay dividends.
(Ungpakorn et al., 2023)	Infectious diseases, dividend policy, and Independent directors: Evidence from textual analysis	PLUS ONE	The research findings indicate that the presence of higher levels of uncertainty associated with infectious diseases significantly contributes to the decline in dividends.
(Kluzek & Schmidt-Jessa, 2022)	special state aid measures during COVID-19 and corporate dividend policy: early evidence from polish public companies	Economics and Business Review	Dividend payout opportunities tend to be lower for companies receiving state aid, this variable is statistically significant and its impact is relevant.
(Cejnek et al., 2021)	The COVID-19 Pandemic and Corporate Dividend Policy	Journal of Financial and Quantitative Analysis	This revealed that, within the major equity markets, the proportion of the index value attributable to dividends over the first 5 years experienced a significant decline in the first quarter of 2020, and this decline did not recover until the end of the year.
(Tinungki, Hartono, et al., 2022)	The COVID-19 Pandemic Impact on Corporate Dividend Policy of Sustainable Responsible Investment in Indonesia: Static and Dynamic Panel Data Model Comparison	Sustainability	Through testing the market reaction with two different approaches, the results show that the business did not receive a positive response from the capital market. Instead, the market response tends to be pessimistic.
(Siladjaja et al., 2022)	The Relationship between Dividend Policy and Earnings Quality: The Role of Accounting information in Indonesia's Capital Market	Economies	Indicates that dividend policy is very important in minimising opportunity behaviour.
(Tinungki, Robiyanto, et al., 2022)	The Effect of COVID-19 Pandemic on Corporate Dividend Policy in Indonesia: The Static and Dynamic Panel Data Approaches	Economies	In this study, it was found that the crisis caused by the pandemic led to an increase in dividend distribution in SYS-GMM companies.

Source: Author's Analysis

**RQ 1. How is a company's dividend policy determined during times of crisis?**

During the COVID period, there was a relatively high dividend reduction and removal (H. Ali, 2022). However, the majority of companies have been able to maintain or increase dividend payments during the pandemic. This may have been done with the aim of maintaining a more stable dividend policy in response to the crisis, as well as demonstrating good financial prospects for the company. Theoretically, this finding is in line with the view that companies are generally reluctant to reduce or not distribute dividends to avoid negative signals. (DeAngelo et al., 2006) or to maintain personal gain, as proposed by the agency model for example (Lambert & Myers 2012)

Research (Tinungki, Hartono, et al., 2022) also revealed changes in behaviour during the crisis caused by the COVID-19 pandemic. In an effort to maintain positive signals to the stock market, companies tend to increase their dividend payouts compared to the previous year.

In contrast to the research to the research conducted by (Fidiana et al., 2023) that the COVID-19 pandemic in general increases uncertainty in dividend payout policy, in the face of the pandemic in 2020, most of the sample companies (about 34%) allocated their income to the development and maintenance of the company's operations, the financial situation of the shipping and aviation industry, which suffered losses due to the pandemic, is also a major factor affecting dividend payout policy. The same policy is shown by (Ungpakorn et al., 2023) that higher uncertainty associated with infectious diseases significantly reduces dividends, meaning firms are more cautious during difficult times and reduce dividends.

Companies that receive assistance from the state to overcome the negative impact of the pandemic are less likely to pay dividends, meaning that companies are more cautious during difficult times and reduce dividends. (Kluzek & Schmidt-Jessa, 2022). Therefore if a similar crisis occurs in the future, the main task of policymakers will be to provide more targeted and unambiguous assistance for companies to avoid unproductive spending as well as provide general rules that will limit dividend payments for recipients of state aid. (Kluzek & Schmidt-Jessa, 2022)

**RQ 2. In the context of signalling theory, do companies tend to increase dividend payments to give a positive signal of good performance?**

During the pandemic, some companies have consistently paid out dividends to shareholders and even increased the amount (H. Ali, 2022). This raises the suspicion that the company's dividend policy provides a positive indication of the sluggish trading activities in the capital market during the crisis. This finding is also supported by the fact that most of the companies listed in the SRI-KEHATI index experienced an increase in the level of dividend distribution in 2020 compared to 2019. (Tinungki, Robiyanto, et al., 2022).

Although the COVID-19 pandemic has had a negative impact, companies are likely to be reluctant to cut or not pay dividends to avoid giving negative signals about their long-term growth prospects. Instead, they may be inclined to increase dividends to maintain a more stable dividend policy in response to the crisis and give an indication of their financial state. (Siladjaja et al., 2022).

**4. CONCLUSION**

The present inquiry extends its implications to stakeholders encompassing practitioners, academicians, and market analysts. Investors and shareholders are inclined to deliberate upon the determinants influencing investment decisions within the capital market domain, with the aspiration to secure optimal yields during periods of crisis. Corporations are advised to deliberate upon the dividend policy as a positive

communicative gesture toward investors, thereby orchestrating proficient dividend allocations to instigate increments in stock valuations within the market sphere.

Future research endeavors may contemplate the expansion of analytical purview to disparate crises and conventional circumstances, spanning the antecedent, concurrent, and subsequent phases of crises. Furthermore, there exists the prospect for research exploration into nascent subject matters of high innovation, particularly within the context of emergent crises and normative scenarios. Moreover, research endeavors could encompass an appraisal of the economic milieu in the year 2022 and its potential ramifications on the dividend policy paradigms operative within corporate entities domiciled in the nation.

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