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FIRM'S CHARACTERISTICS AND BOARD COMPOSITION IMPACT ON DIVIDEND POLICY: A STUDY ON ROLE OF CRISIS (PANDEMIC) PERIOD IN INDIAN CONTEXT

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Abstract *The global pandemic has weakened the company's financial stability and slowed the economy. Using 241 Indian-listed companies of the BSE (A Group) for 5 years (i.e., 2017–2021), the study aims to examine the moderating role of the pandemic crisis on the dividend policy and its determinants associations. Applying the regression technique, the study reveals that profitability, liquidity, leverage, firm size and board independence have significant impact on dividend policy for the Indian listed businesses. However, the overall findings of the study suggest that the instability in the economic condition that occurred for the years 2020 and 2021 has weakened the association of free cash flows, the board size, CEO duality, and board independence with the dividend policy in India. The study also reports the positive impact of the crisis on dividend policy; accordingly, it implies that Indian firms may prefer to pay dividends during the crisis period to calm investors and restore their confidence. Relatively a low relationship between free cash flows and the state of the economy with the dividend policy is an indicator of serious agency problems.*

Keywords: *Dividend Policy, Pandemic, Bombay Stock Exchange, Firm Characteristics, Board Composition, Moderating Effect*

INTRODUCTION

Any organisation's financial strategy is based on three inter-related choices: investment, financing, and dividend selections. The ultimate goal of any business is the maximisation of shareholders' wealth, which is accomplished by providing them with appropriate returns in the form of dividends in exchange for the risk they embarked on. As a result, the dividend is frequently regarded as a crucial component of business strategy. There is extensive literature on DP drivers with an emphasis on India (Singla & Samanta, 2018), Priya and Mohansundari (2016). Indian corporations are required to disclose their dividend plan and retention funds plan as part of the obligatory disclosure policy (Singla & Samanta, 2018; Bhayani & Ajmera, 2021; Bhayani, 2020). Studies have shown that even while businesses are profitable, they do not consistently pay dividends (Mehdi et al., 2017; Jabbouri, 2016). Knowing the drivers of the DP of the corporations is prompted by their irregular dividend-paying practises. Additionally, a significant factor in dividend distribution is the quality of governance. The agency dilemma and information asymmetry that the enterprises must deal with are impacted by the governance system's quality. As a result, the board composition has been regarded in the current study as the primary factor influencing the dividend policy since it affects the manager's incentives, improving the financial performance of the firms (Mehdi et al., 2017; Boshnak, 2021). The board is made up of internal and external directors, and it usually adds the components of independence and duality, which have an impact on the company's choice of dividends. Therefore, the current study examines board composition in order to determine how it affects dividend policy.

India is one of the world's economies that is growing the quickest. According to Agarwal (2021), there has been a noticeable increase in investor activity in the Indian capital market. More specifically, the survey revealed that the pandemic has had an influence on investors' global financial situations. Due to the pandemic, many businesses are forced

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