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The Moderating Effect of Dividend Policy on the Relationship between Corporate Social Responsibility and Financial Performance: Evidence from French Context

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Abstract:

Purpose: *This study aims to investigate the relationship between Corporate Social Responsibility and financial performance and shows how dividend policy can moderate this relationship.*
Design/methodology/approach: *This topic was based on a sample of 200 firms over the period 2010-2021. The direct and moderating effects were tested by using multiple regression techniques.*
Findings: *The authors have demonstrated that Corporate Social Responsibility positively impacts a firm's financial performance proxy with Tobin's Q (TQ), suggesting that investment in social activities helps firms achieve better financial results. This research also shows that dividend policy positively moderates the impact of Corporate Social Responsibility on corporate financial performance.*
Practical implications: *These findings may be important to academic researchers, practitioners, and regulators who are interested in discovering dividend policies, financial performance, and Corporate Social Responsibility. They can help different stakeholders, policy-makers, and regulatory bodies who are into enhancing corporate governance initiatives to strengthen Corporate Social Responsibility. As an extension to this research, further study can examine the impact of ownership structure and financial performance on Corporate Social Responsibility issues.*
Originality/value: *It adds to the current Corporate Social Responsibility literature, dividend policy's impact on the Corporate Social Responsibility–financial performance relationship.*

Keywords: *Dividend policy, Corporate Social Responsibility, financial performance, French firms.*

JEL codes:

Paper Type: *Research study.*

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1. Introduction

A company not only works for the benefit of shareholders but also interests the stakeholders in business practices through the implementation of Corporate Social Responsibility (Noorlailie and Mayang, 2018). This responsibility is a reaction to local and international regulatory frameworks for mitigating potential risks. The research on the effect of Corporate Social Responsibility on a company's financial performance has been extensively conducted.

Saleh, Zulkifli and Muhamad (2011), in a study provided on a sample of firms listed in Bursa Malaysia during the period 1999-2005, concluded that the implementation of Corporate Social Responsibility has a significant and positive effect on financial performance.

Thus, better financial performance may lead to improved Corporate Social Responsibility (McGuire, Schneeweis, and Branch, 1990). In contrast to the research of Mwangi and Jerotich (2013), samples of manufacturing companies and construction listed on the Nairobi Stock Exchange during the period 2007-2011, stipulated that Corporate Social Responsibility does not affect the financial performance of the company.

Moreover, most of the prior studies examining the impact of Corporate Social Responsibility on financial performance have been limited to investigating the direct association and have not considered the indirect analysis.

For this reason and because of the inconsistency of previous researchs, results prompted the researcher to use another variable that could moderate the relationship between Corporate Social Responsibility and a firm's financial performance.

Hence, it is better to focus on what prior researchers relatively neglected. Then, better financial performance may lead to improved CSR and therefore it may moderate the effect of other organizational factors such as dividend policy on Corporate Social Responsibility. Accordingly, we can argue that shareholders are more likely to support investment in CSR activities under good financial performance.

The impact of financial performance on Corporate Social Responsibility is contingent on the firm's dividend policy. Because it influences financial performance's composition and Corporate Social Responsibility, dividend policy can be expected to moderate the relationship between financial performance and Corporate Social Responsibility (Chieh-Tse, 2018). The authors are interested in re-examining the effect of Corporate Social Responsibility on financial performance by incorporating dividend policy as a moderator variable.

More precisely, both the direction and extent of the dividend policy-c link could vary depending on the corporate financial results. To conclude, the main purpose is to analyze the moderated relationship between financial performance and Corporate Social Responsibility engagement in French companies. Further, we will examine the impact of dividend policy on the association between Corporate Social Responsibility and financial performance.

Corporate Social Responsibility activity is often used by company managers as an entrenchment strategy in managing corporate profits (Noorlailie and Mayang, 2018). Based on the description that has been disclosed, the authors are interested to examine the relationship between Corporate Social Responsibility on financial performance by incorporating dividend policy as a moderator variable of this relationship.

However, there is a lack of empirical research examining how dividend policy can influence the relationship between financial performance variables and Corporate Social Responsibility engagement. This noticeable gap and limitation motivated us to investigate this issue. Further, this research focuses on the eventual moderating role of dividend policy. It also answers the following two research questions:

Q1. *How does Corporate Social Responsibility affect financial performance?*
Q2. *How does dividend policy moderate the relationship between financial performance and Corporate Social Responsibility?*

To answer these questions, this study compiled data that belonged to 200 French non-financial listed firms over the period 2010 to 2021. The results show that financial performance is significantly associated with Corporate Social Responsibility and that dividend policy moderates this relationship. This study presents both theoretical and practical contributions. It extends the dynamic links between Corporate Social Responsibility and financial performance. Unlike previous researchs that only studied the direct relationship between financial performance and Corporate Social Responsibility, this study went further to investigate how dividend policy influences this relationship.

Our study also claims originality insofar as it focused on French companies. To our knowledge, very few findings have examined how Corporate Social Responsibility can affect financial performance in the French context. Hence, exploration will offer incremental insights in this area. Added to that, this paper is followed by an overview of the literature review, research methods, results, discussion, and conclusions.

More precisely, the structure of the paper is the following: Section 2 is a review of the literature and the research hypotheses, section 3 presents the research design, which takes into account a description of the sample, a definition of the variables,

and the analyses used, section 4 presents the main empirical results. Finally, concluding remarks are given in Section 5.

2. Literature Overview

The relationship between dividend policy, Corporate Social Responsibility, and financial performance is explained by two economic-based theories: agency theory and signaling theory. Corporate Social Responsibility is partially the result of agency problems (Tops, 2017). According to Carroll (1979), it is defined as corporate integrated responsibilities encompassing the economic, legal, ethical, and discretionary (or philanthropic) expectations that the society has of organizations.

Agency problems in the context of Corporate Social Responsibility are first described as managers having the incentive to invest in Corporate Social Responsibility that does not benefit shareholders due to different preferences. These problems become possible due to the separation of ownership and control in combination with incomplete contracts (Tops, 2017). Signaling theory addresses information asymmetries between two parts where the sources of asymmetric information are mainly concerned with quality or intent information (Stiglitz, 2000).

This theory is an alternative theoretical lens that can reveal how Corporate Social Responsibility contributes to corporate financial performance (Rama and Sakthi, 2022). Karnani (2011), suggest that the relationship between Corporate Social Responsibility and financial performance has been controversial.

Although, Margolis, Elfenbein, and Walsh (2009), provide the argument for a insufficiant but positive relationship between Corporate Social Responsibility and financial performance. Orlitzky (2011), in a study examining whether the empirical evidence on the relationship between corporate social performance (CSP) and corporate financial performance (CFP) shows that mixed results are derived from the distinct training of different disciplines. Cennamo (2009), provides the argument that Corporate Social Responsibility practices may be also considered as agency costs because the link between Corporate Social Responsibility and corporate financial performance is so socially complexed making managers pursue Corporate Social Responsibility to enhance their image at the expense of shareholders.

2.1 Relationship between Corporate Social Responsibility and Financial Performance

A large and growing body of literature has investigated the relationship between Corporate Social Responsibility and financial performance. Research on this link began six decades ago (Hunjra, 2018). The literature has presented mixed results on the direction of causality between Corporate Social Responsibility and financial performance. Cochran and Wood (1984) find an association between them. Torugsa, O'Donohue, and Hecker (2012) state that proactive Corporate Social Responsibility

positively influences financial performance. A positive relationship between Corporate Social Responsibility practices and corporate financial performance will be contingent upon institutional environments such as market development and information diffusion (Weichieh, Mike, Weiqiang, and Yan, 2014). Using a sample from ten Asian economies, the authors find that the positive effect of Corporate Social Responsibility on corporate financial performance is more salient in a market environment where market development and information diffusion are lower.

This relationship has been controversial, arousing serious debate (Karnani, 2011). In the beginning, this study logically follows the definition of Corporate Social Responsibility by Van Marrewijk (2003). It means that corporate sustainability (CS) and Corporate Social Responsibility (CSR) are precisely two sides of the same coin. This implies that the term Corporate Social Responsibility includes not only the social dimension but also environmental sustainability.

This concept also finds its expression in the term ESG (Environmental, Social, and Governance). They describe the three relevant input factors for measuring Corporate Social Responsibility, corporate performance, and disclosure (Stuart, Andrew, and Laura, 2021). Along with the advent and rapid spread of environmental management, the importance of Corporate Social Responsibility is gradually increasing (Cho, Chune, and Jason, 2019).

Accordingly, in the recent few years, Corporate Social Responsibility activities had been recognized as a natural obligation of firms. As sustainable management has become much more important, firms have begun to recognize Corporate Social Responsibility internally as an important business strategy.

Investors are also recognizing the importance of socially responsible investment (SRI), which involves investing in companies with outstanding Corporate Social Responsibility performance. Financial performance of the firm is among the key areas of interest for managers, practitioners, and academics (Hunjra, 2018).

According to Didin (2018) financial performance is the company's ability to manage and control its resources. Cash flow, balance sheet, profit loss, and capital change can be the basis of information for corporate managers to make decisions. Jyoti and Khanna (2021), suggest that there is a significant negative relationship between the Environment score with Return on Assets (ROA) and Return on capital employed (ROCE) of the selected companies.

Zhao (2018), in a study of China’s listed power generation groups to explore the relationship between ESG performance and financial indicators in the energy power market based on the panel regression model, the author confirmed that firms’ sustainability performance has a significant positive impact on their financial performance.

Also Soewarno (2018) tried to determine the direct influence of the mechanism of good corporate governance (GCG) and Corporate Social Responsibility on financial performance. The results show that the mechanism of GCG and Corporate Social Responsibility has a positive impact on financial performance.

Akben-Selcuk (2019) published a paper in which he found that Corporate Social Responsibility has a positive relationship with financial performance. Findings indicate that ownership concentration negatively moderates this relationship even when endogeneity is controlled for. The debate on the relationship between Corporate Social Responsibility started six decades before (Hunjra, 2018).

Since this relationship is strategic, it would make sense for it to be part of the strategic management of a company (Grewatsch and Kleindienst, 2017). Some authors also highlight the possibility of no significant direct link between Corporate Social Responsibility and financial performance (McWilliams and Siegel, 2000).

Also, Chieh-Tse, (2018) examines the relationship between Corporate Social Responsibility and corporate financial performance (CFP) in Taiwan and the results demonstrate that The Volume Index (SVI) has a positive influence on Corporate Social Responsibility and corporate financial performance (CFP) relationship in the electronics industry. Cho, Chune, and Jason (2019) argue that Corporate Social Responsibility performance has a partial positive correlation with profitability and firm value.

These results are partly consistent with those of previous studies reporting a positive relationship between Corporate Social Responsibility and Korean firms' financial performance and using the KEJI index before 2011. In the relationship between Corporate Social Responsibility performance and profitability, only social contribution yields a statistically positive correlation. We can makean hypothesis based on the reasoning discussed and empirical evidence of the association between Corporate Social Responsibility and financial performance:

H1: Corporate Social Responsibility is positively related to firm financial performance.

2.2 Corporate Social Responsibility and Financial Performance: The Moderating Effect of Dividend Policy

Financial performance, Corporate Social Responsibility, and dividend policy remained essential but also ambiguous issues in corporate finance literature. The dividend policy is the firm's most important policy to determine the sustainability of a business (Husain, Sarwani, Sunardi, and Lisdawati, 2020). It refers to the payout of dividends to shareholders, which includes regulations and guidelines used by a firm about making payments (Ziv and Doron, 2002).

In such a business environment, it is of its most importance to consider the role of dividend policy when investigating the relationship between Corporate Social Responsibility and firm financial performance.

To determine the relationship between dividend policy and a company's financial performance in emerging countries, Kanakriyah (2020), concludes that dividend policy has a statistically significant impact on a company's financial performance.

A large and growing body of literature has investigated the relationship between Corporate Social Responsibility and dividend policy. In addition to the advent and rapid spread of environmental management, the importance of Corporate Social Responsibility is gradually increasing (Cho, Chune, and Jason, 2019).

Also Ziv and Doron (2002), suggests that dividend changes provide information about the level of profitability in subsequent years, incremental to market and accounting data. To document that dividend changes are positively related to earnings changes in each of the two years after the dividend change. As mentioned previously, empirical studies focusing on the role of dividend policy factors for the Corporate Social Responsibility and financial performance relationship are relatively few in number.

The nexus of uncertainty, Corporate Social Responsibility and stakeholders' interest, dividend policy, and, financial performance have been well documented in the literature (Hunjra, 2018). It, therefore, Becomes interesting to check whether or not the dividend policy provides a link/bridge between these variables.

Thierry and Gerard (2015), demonstrated that Corporate Social Responsibility significantly and positively influences the financial performance of the firm. In addition to that, they follow that the dividend policy positively influences financial performance which in turn positively affects Corporate Social Responsibility. Thus, we believe that the dividend policy moderates the relationship between Corporate Social Responsibility and the firm's financial performance.

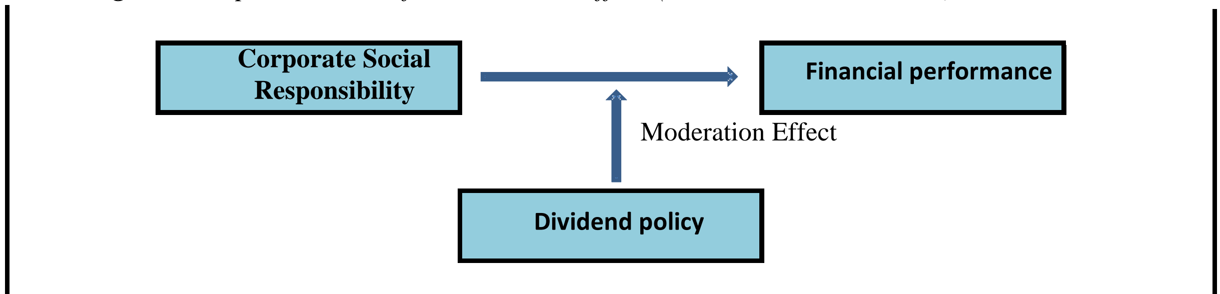
Therefore, the following hypothesis is being suggested:

H2: Dividend policy moderates the relationship between Corporate Social Responsibility and the firm's financial performance.

3. Research Methodology

This section details the proposed empirical research methods for this study. These include the sample selection and the justification for such selection. The empirical model specification, variable measurements, and the model estimation method are also discussed here:

Figure 1. *Representation of a moderation effect (Joëlle and Rubén, 2003)*



Source: *Own study.*

3.1 Sample Data

The purpose of this study is to investigate the moderating effect of dividend policy on the relationship between Corporate Social Responsibility and financial performance in France. The period of analysis covered the five-year between 2010 and 2021. We use a preliminary sample of 250 French listed firms. First, we exclude 32 financial firms as they are subject to different regulations and market trading mechanisms. For our empirical analysis, we used the database DataStream to compute financial information. Not all the necessary financial data are available for each firm over such a long period. Therefore, we remove 18 firms with missing value. Our final sample includes 200 firms (2,400 firm-year observations) operating in several sectors of activity.

Table 1. *Sample selection (French firms)*

Simple	*Number of firms*
Initial sample	250
Firms with missing data	(18)
Financial firms	(32)
Final sample	200
Duration of study	12
Total observations	2.400

Source: *Own study.*

Table 1 presents the distribution of the listed firms of our sample. Thus, 200 French firms will make up our sample construct, as depicted in Table 1. Our database has been collected from the DataStream database.

3.2 Variables measures

3.2.1 Dependent variable: the Corporate Social Responsibility

The Corporate Social Responsibility variable is the equally-weighted average of both the environmental and social scores for each company every year (Jarboui, Dammak, and Bouaziz, 2022).

3.2.2 Independent variables: Financial performance

According to Jyoti and Khanna (2021) Measuring the financial performance of companies is less complicated compared to their sustainability performance. Numerous studies have shown that the most commonly used financial performance variables are financial accounting returns (specifically ROA, ROE, and ROCE) and Tobin's q (Elsayed & Paton, 2005). In this present paper, the following variables have been used as a measure of financial performance: ROA (Return on assets), ROE (Return on equity), ROCE (Return on capital employed)

3.2.3 Moderator variable: Dividend policy

Dividend policy is measured as the dividend payout ratio. It is measured using the ratio of total cash dividends divided by total sales for the period Jabbouri (2016) It is defined as the ratio of total dividends to operating profits – profits before interests and taxes (Jabbouri, 2016).

3.2.4 Control variable

We include several control variables in our empirical models in order to improve the accuracy of predictions and the reliability of the analysis's inference. These factors are firm size, return on assets and firm leverage.

Firm size is measured by taking the natural log of total assets is measured as the natural log of total assets and is used to control for side effects. Based on prior research (Gupta and Newberry, 1997; Lanis and Richardson, 2012; Mafrolla and D'Amico, 2016). One of the most frequently used measures for firm size is the work of Chakroun, Salhi, Amar, and Jarboui (2020). As larger firms possess more resources, they are thus more likely to invest in CSR (Acabado *et al.,* 2019; Godos-Díez *et al.,* 2020).

Return on assets (ROA) is the second control variable that can affect CSR. It is measured as pre-tax income divided by a total asset (Mafrolla and D'Amico, 2016).

Firm leverage (LEV) is the third control variable that can affect CSR (Assenga *et al.,* 2018; Ongsaku *et al.,* 2020). It is is measured as total debt divided by total equity, and is included as a control variable as firms that have higher debt-to-equity ratios are more efficient at reducing corporate taxes (Gupta and Newberry, 1997; Lanis and Richardson, 2012). We used the firm leverage variable to capture the potential effect of agency problems on CSR. Firms with large debt are constrained and invest less in CSR (Zeng, 2020).

Table 2. *Variable definitions*

Variables	*Definition*	*Author*
CSR	The annual average between the environmental score and the social score for each firm	(Jarboui, Dammak, & Bouaziz, 2022) (El Ghoul, Guedhami, & Kim, 2017)

DP	Total cash dividend divided by total sales revenues of the period	(Jabbouri, 2016)
FP	Q TOBIN : (market value of equity þ book value of debt)/book value of total assets	(Chakroun, S, Salhi, B, Amar, A.B, & Jarboui, A, 2020) (Gupta & Newberry, 1997)
SIZE	Natural logarithm of total assets	(Mafrolla & D'Amico, 2016) (Lanis & Richardson, 2012)
ROA	Pretax income/total assets	(Mafrolla & D'Amico, 2016)
LEV	Total debt/total equity	(Gupta & Newberry, 1997) (Lanis & Richardson, 2012)

Source: *Own study.*

3.3 Research Approaches

To test the moderating effect of dividend policy on the relationship between Corporate Social Responsibility and financial performance, we use three approaches. The first approach is provided by David and Reuben (1986) which indicates that a moderator is a qualitative or quantitative (e.g., level of reward) variable that impacts the direction and/or strength of the relationship between an independent variable and a dependent variable. The second approach is presented by Cristina and Rita (2020), which tested the relationship between the Corporate Social Responsibility score and financial performance. The third one is provided by Muhammad (2021) and Kanekriyah (2020) which presented the relationship between, on the one hand, dividend policy and Corporate Social Responsibility and with financial performance, on the other hand.

In a manner conforming with David and Reuben (1986), to start a moderating role, this condition must be confirmed: The moderating effect is observed when a moderating variable Z modifies the intensity of the relationship between the independent variable X and the dependent variable Y. The regression equation is of the following form:

$$Y = \beta_0 + \beta_1 * X + \beta_2 * Z + \beta_3 * XZ + \varepsilon$$

Where: XZ is an interaction effect
Y is the dependent variable
X is the independent variable
β0 = unknown population intercept
β1 = effect on Y of a change in X
β2 = effect on Y of a change in Z
Z: The moderating variable
ε = the regression error (omitted factors).

According to David and Reuben (1986), the moderating effect of Z on the X-Y relation is detected when the coefficient (β_3) is significant. The coefficients (β_1) and

(β_2) are not necessarily significant. Nevertheless, if the coefficient (β_2) is significant, Z is a quasi-moderator.

In our study, the variables X, Y, and Y are as follows:

X= financial performance
Y= Corporate Social Responsibility
Z= dividend policy

In this study, we aim at examining the effect of Corporate Social Responsibility on firm financial performance and the moderating role of dividend policy on this relationship. For this purpose, we proceed in two steps. We start first by estimating the following equation:

$$FP = \beta_0 + \beta_1\, CSR_{it} + \beta_2\, SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \varepsilon_{it} \qquad \text{Model (1)}$$

Then, To examine the moderating effect of audit quality, we introduce an interaction term between audit quality and Corporate Social Responsibility and estimate the following model:

$$FP = \beta_0 + \beta_1\, CSR_{it} + \beta_2\, DP_{it} + \beta_3 CSR * DP_{it} + \beta_4\, SIZE_{it} + \beta_5\, LEV_{it} + \beta_6 ROA_{it} + \varepsilon_{it} \qquad \text{Model (2)}$$

where CSR: Corporate Social Responsibility Tobin's Q: Firms market performance; SIZE: Firm size calculated as a natural logarithm of total assets; LEV: Firm leverage calculated as the ratio of total debt to total assets; DP dividend policy.We tested the moderation effect of dividend policy on the relationship between Corporate Social Responsibility and financial performance (FP) by running multivariate regression analysis in STATA analysis software (version 18). This procedure is well suited to the detection of moderating effects (Stone and Hollenbeck, 1984; Memon *et al.,* 2019; Hayes, 2017).

4. Empirical Results

4.1 Descriptive Statistics

Table 3 shows the summary statistics for the dependent variable, the independent variable, and the mediating variable. In other words, Table 3 illustrates the descriptive statistics of Corporate Social Responsibility, dividend policy, and financial performance. Over the period 2010–2021, Corporate Social Responsibility has a mean value of 42.590 with a standard deviation of 21.44. It is noticeable that there is a high divergence in Corporate Social Responsibility levels across the firms in our sample as the minimum is 7.876 and the maximum is 91.55, notably close to

the study of Salhi (2020) which found that Corporate Social Responsibility activities in French firms span from a minimum of 7.876 to a maximum of 91.55.

Table 3. *Summary statistics of the sample*

Variables	*Mean*	*Min*	*Max*	*SD*
CSR	42.590	7.876	91.55	21.44
DP	0.288	0	0.585	0.196
FP	1.72	0.88	8.87	0.93
SIZE	7.189	6.124	7.888	0.175
LEV	0.197	0	0.678	0.143
ROA	0.077	0.024	0.107	0.011

Note(s): *DP: Dividend policy; FP: Financial performance measured with Tobin's Q; CSR: Corporate Social Responsibility score; SIZE: Firm size calculated as a natural logarithm of total assets; LEV: Firm leverage calculated as the ratio of total debt to total assets, VIF: Variance inflation factor. ***significant at 1% level; **significant at 5% level; *significant at 10% level.*
Source: *Own study.*

Whereas these figures are 0.288 and 0.196 for DP. In addition, for FP, the mean value was 1.72 at a standard deviation of 0.93 with minimum and maximum values of 0 and 0.585, respectively

Table 4 provides the Pearson correlations between the model variables of this study. The variables correlation matrix is illustrated in this table. As a rule of thumb, a correlation of 0.70 or higher in absolute value may cause multi-collinearity between variables (Liu, 2020). The highest correlation coefficient is 0.68 via the relationship between DP and LEV. In addition, the VIF factors (variance inflation factor) are weak (1.97). We can confirm the absence of multi-collinearity between variables of our model. Thus, the correlation between the explanatory variables introduced at the level of the different empirical models can be deemed acceptable.

Table 4. *Pearson correlations for independent variables*

	DP	**CSR**	**FP**	**SIZE**	**ROA**	**LEV**	**VIF**
DP	1.000						1.43
CSR	0.141***	1.000					1.24
FP	0.332	0.133***	1.000				1.67
SIZE	0.339**	0.156*	0.247	1.000			1.54
ROA	0.68	0.343	0.461	0.031	1.000		1.66
LEV	0.067	-0.074*	0.641	0.112**	0.461**	1.000	1.12

Note(s): *DP: Dividend policy; FP: Financial performance measured with Tobin's Q; CSR: Corporate Social Responsibility score; SIZE: Firm size calculated as a natural logarithm of total assets; LEV: Firm leverage calculated as the ratio of total debt to total assets, VIF: Variance inflation factor. ***sign at 1% level; **signi at 5% level; *sign at 10% level.*
Source: *Own study.*

4.2 Multivariate and Regression Analysis

The results of Model 1 and Model 2 are presented in Table 5.

Table 5. *Results of Model 1 and Model 2*

	Coefficient	*z-statistique*	*Coefficient*	*z-statistique*
Constant	0.234***	3.05	0.184***	3.25
CSR	0.236***	5.88	0.156***	5.42
SIZE	0.000***	6.23	0.362***	6.23
LEV	0.000***	8.99	0.347***	5.67
ROA	0.013***	2.65	0.000***	3.67
DP			0.421***	1.06
CSR*DP			2.66***	5.05
Firm fixed effect	YES		YES	
Years fixed effect	YES		YES	
R^2	0.546		0.4332	
N.Ob	**2400**		**2400**	

Note(s): *DP: Dividend policy; FP: Financial performance measured with Tobin's Q; CSR: Corporate Social Responsibility score; SIZE: Firm size calculated as a natural logarithm of total assets; LEV: Firm leverage calculated as the ratio of total debt to total assets, VIF: Variance inflation factor. ***significant at 1% level; **significant at 5% level; *significant at 10% level.*

Source: *Own study.*

4.3 The Direct Relationship between CSR and Firm's Financial Performance

Table 5 provides evidence of the basic results. The model (1) is significant because it indicates 54.6% R^2 significant at 1% level. Thus financial performance is an important determinant of Corporate Social Responsibility. Table 5 show, as predicted, that Corporate Social Responsibility is positively and significantly associated (at the 1% level) with FP TQ (β_1 0.236, Z 5.88), as the proxy variables of firm's financial performance.

The coefficients associated with the variable SIZE and the variable DEBT are positive and statistically significant at a threshold of 1% respectively (β_2 0.000, Z 6.23), (β_3 0.000, Z 8.99). As for control variables, the results show that the firm size and the firm leverage have a positive impact on financial performance. This result allows us to see that companies that need external financing from banks, for example, have an interest in using accounting discretion to obtain, loans under the best conditions (Mard, 2004).

The coefficient associated with the ROA variable is positive and statistically significant at a threshold of 1% (β_4 0.018, Z 2.65). Our results corroborate those reported more recently by Achour and Boukattaya (2021) who have demonstrated the existence of a positive and significant relationship between Corporate Social

Responsibility score and the ROA of French-listed firms; These results support the previous studies which suggest that larger firms generate greater competition than their smaller rivals. This advantage allows them to achieve scale economies and gain more power on the market (Cho, Chung, and Young, 2019; Chakroun, Salhi, Amar, and Jarboui, 2020). As a result, we can say that the more the company performs, the more the company manages its results upwards.

4.4 Moderating Effect of Dividend Policy

Table 5 shows that there are positive and significant relationships between dividend policy as measured using the ratio of total cash dividends dividend by total sales for the period (Jabbouri 2016), and TQ (β_2 0.421, Z 1.06). These results are in line with those reported by prior empirical studies Kanakriyah (2020), which indicate that dividend policy has a statistically significant impact on a company's financial performance. They argue that a robust dividend policy can help enhance the Corporate Social Responsibility and financial performance of a firm.

Our hypothesis H2 was about the possible moderating effect of the dividend policy on the relationship between Corporate Social Responsibility and financial performance. To test this hypothesis, we add the moderation variable, DP, in the regression model. As given in Table 5, the coefficients of CSR*DP are positive and significant at a five percent level (β_3 0.266, Z 5.05). Therefore, H2 is supported. This implies that a socially responsible company is more likely to achieve better financial performance when there is a robust dividend policy.

Our results, thus, go to support the agency theory (Jensen and Meckling, 1976). In this way, it is suggested that dividends serve to reduce conflict of interests between managers and shareholders. Overall, the results show that the additional variables along with Corporate Social Responsibility, enhance firm financial performance, for example dividend policy provide an additional assurance to creditors and investors regarding the firm's strategy effectiveness and the credibility of Corporate Social Responsibility data. Otherwise, the improvement effect of Corporate Social Responsibility on corporate financial performance is more pronounced for firms moderated by dividend policy.

5. Conclusion

This study aimed to empirically examine how Corporate Social Responsibility affects corporate financial performance and whether the dividend policy exerts a moderating effect on the relationship between Corporate Social Responsibility and corporate financial performance. Using 2,400 firm-year observations from 200 French-listed firms over the period 2010 -2021 and after controlling for firm-level characteristics, we found that Corporate Social Responsibility affects positively firm financial performance proxy with TQ, going to support the stakeholder theory (Freeman *et al.,* 2010) which suggest that stakeholders tend to reward good

Corporate Social Responsibility strategies (Franco *et al.,* 2020), consequently positively influencing corporate financial performance (Achour and Boukattaya, 2021; Okafor *et al.,* 2021). Throughout the second part of the analysis, we aim at addressing our second purpose, examining the moderating effect of dividend policy on the Corporate Social Responsibility – financial performance relationship.

The results show that dividend policy, along with Corporate Social Responsibility enhances firm financial performance. Otherwise, the improvement effect of Corporate Social Responsibility on corporate financial performance is more pronounced for firms with dividend policy.

Our study contributes to the literature in several ways. First, unlike prior studies that only examined the direct relationship between Corporate Social Responsibility and financial performance (Chakroun, Salhi, Amar, and Jarboui, 2020). This study went further to investigate how dividend policy affects this relationship. This one is deemed to be an important variable that is likely to constrain managerial opportunistic behaviors. Along with Corporate Social Responsibility performance, it is associated with better corporate financial performance.

The results of this study have also practical implications; they can be interesting and useful for managers, policymakers, and investors. As they highlight the importance of Corporate Social Responsibility as a relevant driver of financial performance, this study encourages board members to seriously weigh investing financial resources in developing policies that boost the levels of social behavior components to improve overall corporate performance. Unlike prior studies that only examined the direct relationship between financial performance and CSR, this research went further to investigate how dividend policy potentially influences this relationship.

Despite of these contributions, this study has some limitations that could be addressed in future research studies. Although there are other variables that can influence Corporate Social Responsibility. The inclusion of other Corporate Social Responsibility types in the analysis could likely produce other interesting results.

Future studies need to take into account other variables that could affect Corporate Social Responsibility engagement. We suggest studying the impact of gorporatte governance on Corporate Social Responsibility performance. Also, this study used a sample of French listed companies. It may not be representative of the population of French firms. Last but not least, we could not generalize our findings particularly to SMEs.

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