

# **MEDIA COVERAGE AND DIVIDEND POLICY**

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## **ABSTRACT**

- **Objectives.** Numerous studies have associated various corporate governance instruments with dividend policy. However, the analysis of media coverage as an extra-legal corporate governance mechanism and its effect on dividend policy has not thus far been addressed. This research looks at what role media attention plays in the dividend policy of Spanish listed companies for the period 2004-2019.
- **Theoretical background.** From an agency point of view, the media can have a significant impact on corporate performance, such as in certain capital allocation decisions or corporate governance mechanisms. According to La Porta et al. (2000), enhanced control of the actions of internal agents by the media can have a complementary or substitutive effect with dividend policy.
- **Methodology.** We run different analyses, and use 3SLS, 2SLS, and GMM. Moreover, our results are robust to alternative measures of media coverage and to different econometric specifications.
- **Results and implications.** Our results are in line with the outcome approach and show that firms which come under more media attention pay more dividends to their shareholders as a result of greater scrutiny. This study contributes to the previous literature linking extra-legal governance mechanisms with dividend policy and highlights the media as a driver of dividends.

## **Keywords:**

Media attention; dividend policy; extra-legal mechanisms; outcome approach; corporate governance

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