**DOI:** https://doi.org/10.17323/j.jcfr.2073-0438.17.4.2023.114-131
**JEL classification:** G30, G32



# Dividend Policy of Russian Companies: Cancel Culture Effect

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## Abstract

The paper is dedicated to the dividend policy of Russian companies under the sanctions pressure applied by the USA and the EU, which especially intensified in 2022 as a result of the changed global geopolitical environment. Cancel culture was used against Russia, complicating the financial, investment and operating activity of domestic companies. In the paper we analyze a sample of 73 Russian listed companies from non-banking sectors and 317 observations for 2017–2022. We consider the impact of sanctions against companies, boards of directors and CEOs on the company dividend policy. We used a logistic regression as a model to determine the probability of influence of changes in the studied variables on the decision concerning dividend payment. The sample is divided into two parts: 2017–2020 and 2021, and it illustrates companies' behavior when the political environment in the world was stable and when the situation was aggravated. The research showed that sanctions against boards of directors and direct limitations of company's operations had a negative influence on the probability of dividend payments while sanctions against CEO in the period of aggravation of political risks produced a positive effect. The cancel culture effect, i.e., the refusal of the USA and EU to cooperate with Russia and sanctions imposed on it, produced a significant negative effect on dividend payout by Russian companies.

**Keywords:** dividend policy, cancel culture, sanctions, CEO, board of directors

**For citation:** Belous M. (2023) Dividend Policy of Russian Companies: Cancel Culture Effect. *Journal of Corporate Finance Research.* 17(4): 114-131. https://doi.org/10.17323/j. jcfr.2073-0438.17.4.2023.114-131

## Introduction

In 2022 the Russian economy encountered difficulties and elevated uncertainty as a result of an enormous number of sanctions imposed by the Western countries. The limitations changed the Russian market environment rather significantly [1]. For this reason, a lot of companies had to take prompt actions to adapt to current reality. Such prompt changes influenced their corporate decisions because sanctions impact the financial, investment and operating activity of companies.

Before 2022 the Russian stock market had been developing rapidly, the investors' attention to the Russian stock market had been growing. It was characteristic of the majority of Russian companies to pay hefty dividends as compared to the rest of the world. However, after the special military operation started, Western countries increased the sanctions pressure on Russia in an unprecedented manner, and many companies decided to cancel dividend payouts. The cancel culture policy was applied to our country as a way to hold some persons, entities or even countries liable for their wrongful acts.

All the above makes relevant the study of the dividend policy of Russian companies in the present-day context. It is important to understand how companies make corporate decisions now. We should consider the factors that influence the stock prices in Russia.

The paper analyzes data for 2017–2022 on the 73 listed Russian companies from non-bankings sector and 317 observations. An attempt was made to determine how sanctions against companies, boards of directors and CEOs impact their dividend policy.

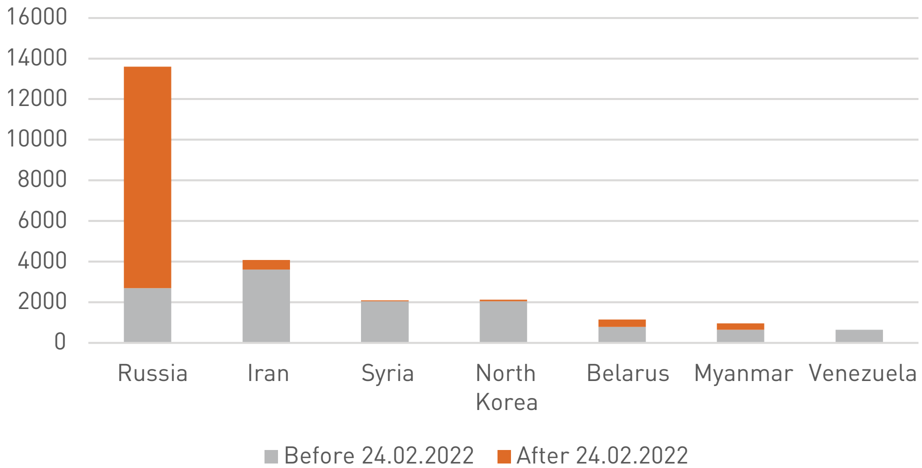
We used a logistic regression as a model to determine the probability of influence of change in the studied variables on the decision concerning dividend payout. The sample is divided into two parts: 2017–2020 and 2021 in order to define companies' behavior when the political environment in the world is stable and when the situation was aggravated.

## Review of the Cancel Culture Notion with Reference to Russia

Cancel culture [2] is the term used to describe the practice of public disapproval of persons or entities for their allegedly offensive behavior or beliefs. The supporters of cancel culture assert that it is an effective way to bring to responsibility persons, entities or even countries for their actions and to restore social justice.

In 2022 this approach was applied to Russia [3]. Western countries imposed an enormous number of economic and political sanctions on our domestic companies, their owners, CEOs and assets. They had been introduced on a certain regular basis before 2022, but not on such a vast scale. According to public sources, Iran – the former leader in this indicator –had been subjected to approximately 4,080 sanctions since 1979. Since 22.02.2022, over 13,000 sanctions have been imposed on Russia (Figure 1), and beyond doubt, this affected its macroeconomic indicators and operating activities of domestic companies. The USA introduced the greatest number of limitations.

**Figure 1.** Number of sanctions imposed on various countries




*Source*: [4].

American sanctions are divided into direct sanctions, aimed to limit interaction with individual persons and legal entities from the SDN[1] list, and sectoral ones, intended to hinder the functioning of a country's critical industries. The limitations imply asset freezing and prohibition to interact in any way with the designated person. Companies from the SDN list face a number of problems. First, market outlets are limited because American contractors are afraid of legal liability for operations with a designated person, while persons and entities beyond the US legislative envi-

[1] The list of specially designated nationals and blocked persons – a sanctions measure of the US government.

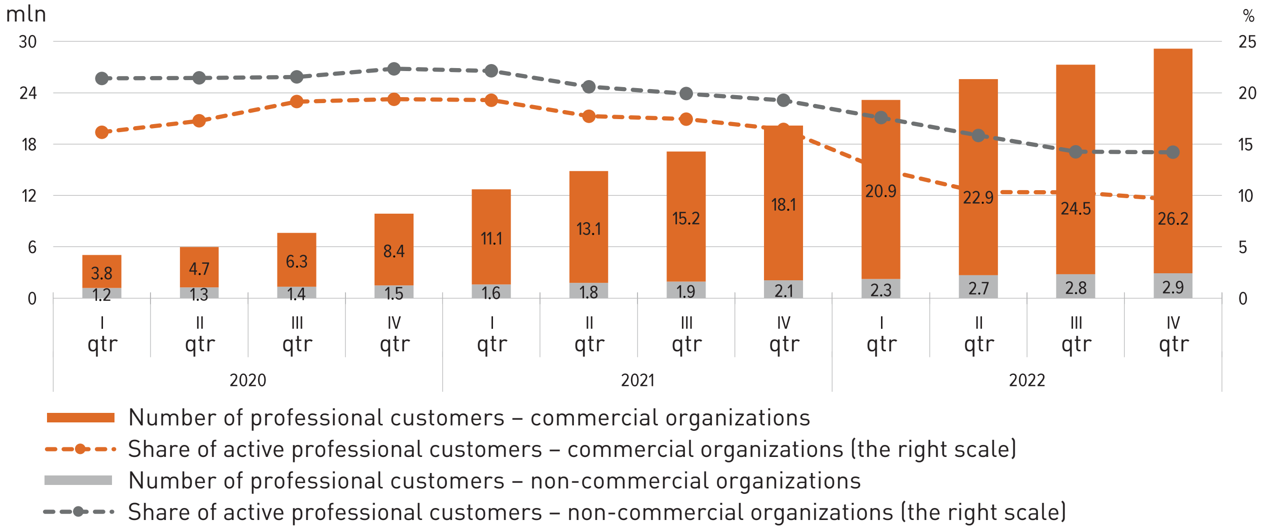
ronment are afraid of secondary sanctions and/or unwilling to assume reputational risks. Companies also encounter the problem of access to capital markets. It becomes more difficult for them to find external funding and attract investments for future projects, which has a negative impact on their scaling potential. It is important to note that sanctions apply not just to the person included in the SDN list, but to all the companies under his/its control if the share of the sanctioned person in the ownership structure exceeds 50% [6]. The European Union implements a similar sanctions policy.

## Stock Market Analysis

### Review of Trading Participants in the Moscow Exchange

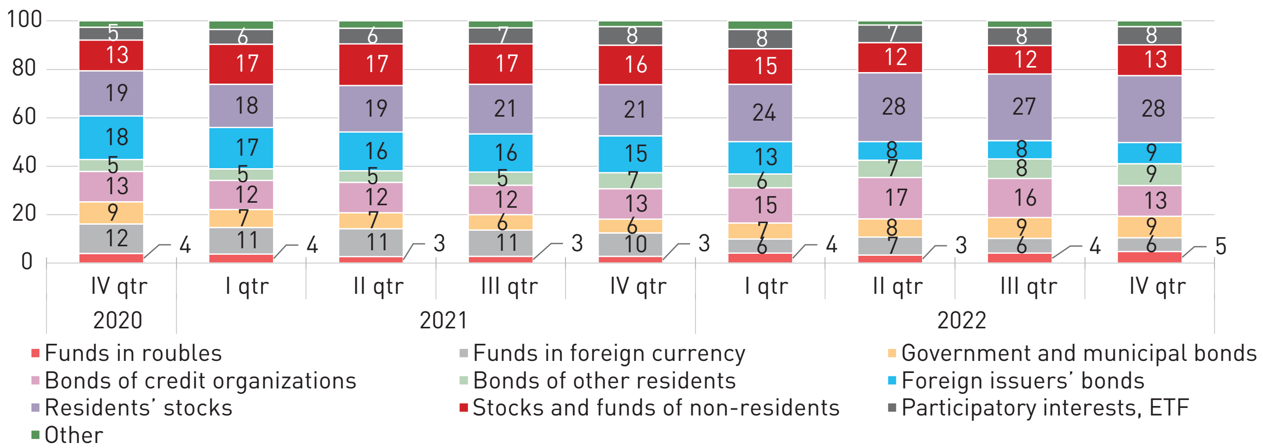
Before 2022 Russian financial markets had been developing rapidly, which is confirmed by the data of the Bank of Russia on the dynamics of the number of registered brokerage accounts. People were highly interested in investments and growth of their capital. In 2020-2022 the number of registered accounts had increased more than five-fold from 5 million users to 29.1 million. This is approximately one third of the economically active population. The number of professional traders also grew almost thrice, which is indicative of an increase in the number of financially literate persons because the professional status is granted after one passes field-specific tests. This attests to an increase in the number of participants who can potentially invest over RUB 6 million. It is important to note that the share of active customers has decreased since 2020, however, it did so slower than the number of accounts, which is indicative of an increase in the number of active market participants in absolute terms. However, in the 1st quarter of 2022 the number of active participants diminished. First of all, it was due to an aggravation of the global geopolitical situation and a lack of understanding by the majority of individuals of their future actions in those circumstances (Figure 2).

**Figure 2.** Dynamics of the number of brokerage customers and the share of active customers




*Source*: [7].

**Figure 3.** Assessment Structure of Brokerage Customers' Assets, %



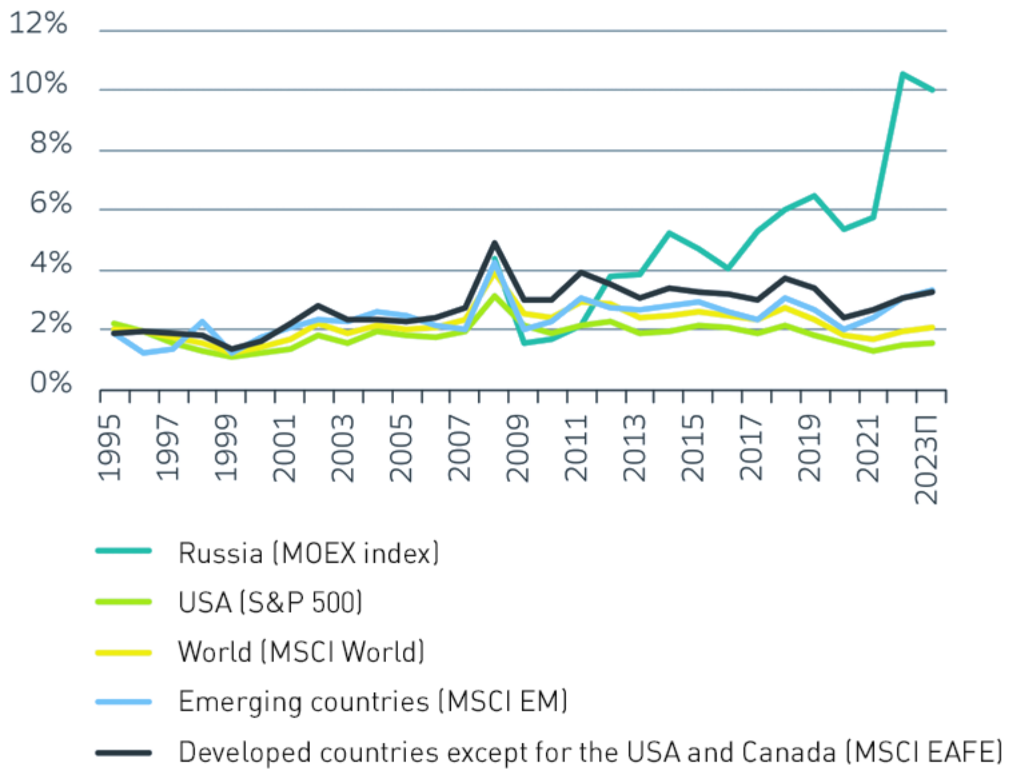
Study of the stock market is relevant because the share of stock items in investors' portfolios has been growing year-over-year, in 2022 the increase amounted to 10.8% – from 37 to 41%. In spite of the growing uncertainty of the Russian economy's prospects in 2022 and a decrease in the aggregate value of assets in brokerage accounts with less than RUB 6 million (–28%) the outflow of funds from Russian companies' stocks showed the minimal dynamics, and the share of their assets increased. The share of foreign companies decreased up to 13% due to elevated political risks (Figure 3).

Thus, despite a deterioration in investment attractiveness of Russian assets, the number of new participants of financial markets is growing. Investors should have a notion how to act in the Russian market, which has undergone significant changes. For this purpose, it is necessary to analyze investment attractiveness and facilitate potential risk mitigation.

## Dividend Policy of Russian Companies

In 1995–2013 the dividend yield of Russian stocks was correlated with global indicators. For 23 years global stock earnings averaged approximately 2%, trending upwards (Figure 4). In 2013 an explosive growth of Russian stocks' dividend yield began, in 2022 it reached 10%, outstripping the global yield by 7%.

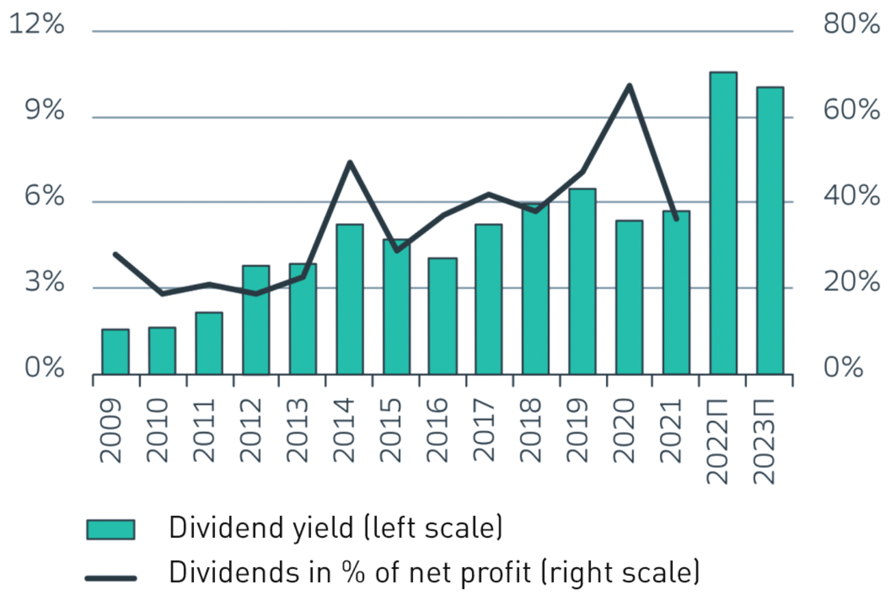
**Figure 4.** Global dividend yield, %




*Source*: [8].

To a large extent such explosive growth was caused by several factors. First, Russia is rich in natural resources, so it has a resource-based economy. The majority of companies are export-oriented. In 2014 a serious ruble devaluation started, as a result of which many companies received additional funds from selling currency. Besides, since 2014 the Russian economy has been exposed to high political risks, which lowered the company stocks' prices even more because investors price in the probability of new sanctions that would impede corporate operations. Third, since 2013 there has been a trend to increase the share of payments to investors in net profit. In the first instance, this was due to a low average net debt/EBITDA ratio – a low debt load and the absence of a need to hold additional funds such as undistributed profit and reserves on the balance sheet so as to be prepared for contingencies. This also meant that companies had no attractive projects within the country, while investments in foreign projects were associated with political risks. Therefore, Russian issuers prefer to distribute their funds among the investors.

**Figure 5.** Dividend yield of the MOEX index and the rate of dividend payout, %




*Source*: [8].

The dividend policy is one of the most important instruments of corporate governance. Based on its earned and estimated net profit, a company makes a decision regarding profit distribution for dividend payout and reinvestment in business. The payout amount has a direct impact on company value and its development prospects. A properly organized, stable dividend policy attracts and retains investors because it is a reliable source of income. However, if it is nonoptimal, it harms the firm's reputation, reduces its future cash flows and impairs its development prospects. Understanding of the dividend policy assists investors in making justified decisions when they choose companies based on their objectives and risk proneness.

## Fundamental Concepts of Choosing the Payout Policy

### Agency Theory

In some sense dividends are a corporate governance instrument which enables one to solve the problem of interaction between company's shareholders and top management. Dividends are used to redistribute company profit, reduce the amount of cash held in its accounts. According to agency theory, managers have access to corporate funds and may spend them on themselves, disguising it as corporate privileges and serving only their own interests [9]. This reduces corporate free cash flows and conflicts completely with shareholders' interests. The problem of agency costs may arise because managers lack sufficient incentives to do their best. If they have no share in corporate equity, their benefits do not depend on corporate financial performance and they may afford not to put sufficient efforts into optimizing business processes, thus, reducing the potential net profit of the company. Moreover, managers' welfare depends on the company size to a greater extent than on its profit. Therefore, they are prone to accumulate company assets and its revenue. Usually, managers tend to reinvest profit rather than use it to pay dividends. Money may be invested in a project with a lower net present value if it can lead to significant growth in company value. Such a transaction will reduce the potential net cash flow of the equity holders.

To control the managers' activity, the shareholder meeting appoints a board of directors [10]. This is the body entitled to make decisions on dismissal and employment of the company managers. It also controls the transparency of reports and business, financial performance and makes every effort to increase company value and benefit the shareholders. The board of directors determines the payout policy and makes recommendations to the shareholder meeting as to the size of dividends. According to agency theory, the board of directors is a connecting link between shareholders and company managers that reduces agency costs by means of efficient control and supervision over the company management.

### Signaling Theory

One of the problems solved by means of dividends is the reduction of shareholder costs related to information asymmetry [11]. Managers have complete information about the financial and economic status of the company, they can manipulate it when furnishing it to the investors. For this reason, economic agents are in an unequal position. Signaling theory presumes that dividends comprise compensation for information asymmetry. Increased payouts indicate that the company operations are developing in a sustainable way and that management does its job well [12].

### Life Cycle Theory

One of the widespread concepts in corporate finance is the theory of the firm's life cycle. It implies that corporate dividend policy correlates strongly with the development stage of the company. Each firm evolves from start-up to maturity, and each new stage is characterized by a reduction in potentially profitable investment projects, development pathways, slowdown in growth rates and the cost of capital raising. As a company goes through its life cycle, its optimal dividend payout policy changes. The key premise of this theory is that a firm has to constantly balance the ratio of funds used for reinvestment in business and dividend payments. As a rule, at early stages, a company has many development pathways, new projects, opportunities to scale up rapidly and take over new markets. All these needs require substantial capital. As a consequence, the optimal dividend policy for new firms will be to allocate profit for reinvestment, thus avoiding overpayment for raising expensive external capital. As the company matures, it gradually hits the ceiling. Markets become glutted, and it becomes difficult to find new one. As a result, growth slows down gradually. At the maturity stage, the optimal dividend policy is distribution of profit among shareholders [13]. However, there is a risk that the management will allocate corporate funds in a nonoptimal way, investing funds in the projects that are not necessarily the most attractive.

## Influence of Characteristic Features of the Corporate Governance Bodies on the Dividend Policy

### Number of Independent Directors

The Board of Directors defines the size of paid dividends. This problem has been analyzed by many researchers, however, sometimes they obtained contradicting results, because they studied this problem at different time intervals and in different countries. For instance, H. Mohamed et al. examined the companies listed on the London Stock Exchange from 2010 to 2013 [14]. One of the variables is the number of independent members at the meeting of directors. The authors concluded that this variable had a negative impact on dividend size, substantiating it by the fact that independent directors reduced agency costs. They play a fundamental role in corporate governance [15] because they express an objective point of view. Their main incentive for performing the job properly is to maintain a positive image and reputation in the labor market. Unlike executive directors, independent directors are not involved in the daily process of corporate governance, which enables them to have an impartial assessment of company operations, financial performance and the strategic orientation vector. They improve the control and supervision over the management team, making the managers, in their turn, apply effective operational solutions and preventing them from using their status and access to company funds to their personal advantage. This ensures that company operations are performed for the benefit of shareholders, consequently, investor confidence grows and the board of directors is not forced to decide to pay excessive dividends in order to cover agency costs. A. Khan obtained similar results after a study of Turkish companies in 2013–2017 [16]. His model also showed a negative relationship with dividend size, however, he arrived to a different conclusion because the relationship turned out to be insignificant. Turkey is an emerging country characterized by underdeveloped legal institutions, high corruption and a large proportion of family trusts holding controlling interest in companies. Such a negative relationship evidences that independent directors may be insufficiently independent in their decision-making because powerful families exert pressure on them. This may be indicative of their conspiracy with the families that control the companies, and this implies a complete impairment of the minority shareholders' rights. Although this study showed an insignificant influence of the studied variable, the paper is also useful for our analysis. Russia is also an emerging economy with a large number of oligarchs who produce a significant influence on the companies' ownership structure.

However, many authors obtained other empirical results investigating this characteristic feature of the board of directors. R.S. Yarram and B. Dollery studied Australian companies in 2004–2009 and concluded that the number of independent directors had a positive and significant impact on the dividend size, substantiating it by compensation of agency costs [17]. M. Rajput and S. Jhunjhunwala also write about a significant positive relationship, asserting that board independence and dividend size are complementary rather than mutually exclusive [18]. Firms with positive dividends should resort to the capital market to finance their development, and the market, in its turn, performs a firm controlling function. Moreover, the authors obtained results that are completely different from A. Khan's indicators. When the firm is family-owned, independent directors produce a positive significant impact. This shows that such a combination reduces nepotism in companies, improves the governance bodies and guarantees a fair and optimal distribution of profit protecting the interests of minority investors. H. Tahir arrived at the conclusion that this indicator also had a positive but insignificant impact [19]. He considered this relationship using the example of Malaysia, which is an emerging economy.

## Influence of the Size of the Board of Directors

Another characteristic feature of the board of directors whose influence has been repeatedly studied in academic literature is its size. Boards of directors with a significant number of members have more opportunities to control the managers' performance. This feature may decrease agency costs, minimizing the chance that managers will take advantage of their position and make excessive use of corporate bonuses, spending the corporate budget for their own benefit. There is a reduced likelihood that a lot of members will collude with management and that the board of directors will prejudice the shareholders' interests. A large board of directors is more experienced overall, which may exert a positive impact on its effectiveness and decision-making. However, there are studies that suggest otherwise. The larger the board, the more difficult it is for the directors to come to an understanding and agree on a common stand concerning a certain objective and this will have a negative impact on corporate governance [20]. The quality of the governance bodies may affect dividend payouts in two ways. In the first case, due to the ineffective work of the board of directors, company management may reduce the free cash flow, which belongs to the shareholders, and as a consequence, they will receive less dividends than is due. However, the ineffective board of directors may increase dividends as compensation in order to signal to the investors that the company is doing well. H. Mohamed studied the influence of this variable on a sample of small and medium-sized UK companies in 2010–2013 and concluded that a large number of board members exerts a positive impact on dividend payouts [14]. A. Boumosleh and B. Cline also reached the conclusion that there was a positive dependence between these two variables [21]. However, some authors assert that there is a negative influence of this variable. For example, after study of a sample of 81 Iranian companies, R. Ghasemi et al. (2013) obtained exactly the same results [22].

## Influence of CEO Duality and its Significance

In international practice, the CEO often also occupies the position of the chairman of the board of directors, thus obtaining additional opportunities to influence company operations and a wide range of powers. In this case, the CEO has the right to veto the motions of other board members using his privileged position as a top manager, which may adversely affect payouts [23]. According to the signaling theory a CEO-led board of directors may increase payouts, thus demonstrating to the market that top managers do not abuse their position. The raised dividends may serve as compensation for relaxed control over the executive bodies of the managing board and as a way to attract investors. Companies with effective governance bodies may prefer to diminish dividends because it is expensive to raise external financing. Such companies have an advantage of low agency costs, control, reputation and shareholder confidence. Use of equity capital can reduce the leverage and bankruptcy risk, thus producing a positive impact on company value [14].

There are other factors that indicate that the CEO has additional decision-making power, which adversely affects governance. Many researchers reached the conclusion that an unreasonably high salary of a CEO produces a negative impact on corporate governance [24; 25]. This indicator may be calculated using a ratio of the CEO's salary to the average of other top managers' salaries. An unreasonably high salary may be indicative of agency problems and the fact that the CEO is maximizing his own benefits. This may also be a demotivating factor for the managers occupying the next lower stage in the management hierarchy. They may underperform because of the sense of unfairness, which will impair the team's overall effectiveness.

Another factor – the share of stock held by the CEO in the corporate capital structure may have a significant influence on corporate governance. When the CEO is simultaneously an owner or a principal shareholder of the company, there is a risk of a conflict of interests, which may undermine governance efficiency. The CEO may place his personal interests above the interests of other stakeholders, e.g., employees, other majority stakeholders or minority investors. This may result in decisions that do not meet the company's long-term interests or contravene its values and mission. Moreover, when the CEO owns a significant block of stock, he may have disproportionately high power and influence on the board of directors, resulting in a lack of checks and balances when he makes decisions. This may also lead to a situation when the CEO has the upper hand on the board of directors and makes decisions without proper control or accountability. It is important for companies to have a governance structure that ensures taking into account the interests of all parties. S.A. Shahbaz considered a set of factors that pointed out CEO's influence on the dividend policy [26]. In his opinion, powerful CEOs are not generally inclined to pay or raise dividends. However, their own benefit from such actions sometimes exceeds the costs. During the period of relatively low profit and high volatility the company may need to attract additional funds. In such tough times American companies with powerful CEOs raise dividends. This signals to the market that the company has good prospects and also increases CEO's benefits because he gains a reputation of a manager who acts solely in the investors' interests.

## Influence of CEO's Tenure

Academic literature often raised the issue of influence of the CEO's tenure on the dividend policy. There is an opinion that these two variables have a negative relationship. The CEO's tenure increases his power, providing an opportunity to expand the range of his authority. A long tenure may also improve CEO's relations with the board members as well as their loyalty; as a result the monitoring of the CEO's activity may be slackened leading to an increase in agency costs [27]. Other studies [28] state that CEOs with a long tenure have a positive influence on dividend payouts. The CEO who has worked for a company for a longer period has better knowledge of its operations. Thus, there is a greater likelihood that it was him who had drawn up and obtained approval of the strategic development plan, made effective decisions and defined the company prospects. The researchers also found out that a longer tenure is related negatively to investments in the design and development of new projects as it makes the CEO more conservative. This fact indicates that agency costs are decreased because the probability that the CEO will act non-optimally is reduced – meaning that he will reinvest profits in new, less profitable projects in order to enhance company value rather than optimize its usefulness for stockholders. A reduction in the share of undistributed profit intended for reinvestment will cause an increase in the share of available cash that will be used for dividend payout. H. Tahir made similar conclusions, substantiating them by the fact that new employees were more likely to risk and invest in new projects because they needed to gain a reputation and demonstrate their skills and experience. A heightened interest in risky projects will reduce the likelihood payout [19].

## Influence of Political Risk

The issue of the impact of sanctions on the dividend policy is not very popular, although some authors have explored similar topics. In uncertain times managers who expect a stable growth of the anticipated future profit may reduce all potential risks more than necessary and overrate the cost of attracting external financing. As a result, they may prefer to choose a conservative profit distribution policy, reserving undistributed profit for emergencies. It may be explained from a psychological point of view if we draw an analogy with financial markets' response to different types of news. On average, stock prices go down more steeply and quickly as a result of negative news than they rise as a result of positive ones [29]. The authors have reached the following conclusions: it is most probable that the firms that pay dividends on a consistent basis will cancel the payouts in case of political turmoil and in the run-up to a political crisis. On the other hand, the firms that do not pay dividends are most likely to continue their distribution policy. According to signaling theory, during crisis periods companies may pay dividends to attract investors, sending them a message that the consequences of a potential collapse will not affect company operations. Apparently, political risks and excessive fear outweigh the potential benefits from the reputation of a stable dividend payer. The authors also found out that the influence of political risk depends on the extent of a company's integration into the global economy. International companies have distinct advantages over the firms operating in local markets. Their business is diversified better and to a greater extent because it operates in several markets simultaneously, and it has an opportunity to attract cheaper financing owing to its scale. However, it is exposed to elevated international political risks instead. The influence of such risks on dividend cancellation is especially pronounced in transnational companies. If we consider this problem with reference to country differences, decisions to cancel dividends become less sensitive to these risks in advanced economies with well-developed legal institutions and political system.

However, in academic literature there is another point of view on this topic [30]. After a study of American firms, the authors found out that political risks influence dividend payouts positively. It is partially consistent with the conclusions reached in the previous analysis [29] because the USA is the strongest global economy with minimal country risks. The paper also asserts that companies with excellent corporate governance typically pay out large dividends despite a higher political risk at the firm level. Companies with good growth prospects (a high ratio of the market value to book value or a significant sales growth) and underperforming corporate governance bodies also experience a significant positive effect of political risk at the firm level concerning their dividend policy. The issue of justification of this factor's influence by signaling theory is also raised in the paper by N. Loukil who studied structural changes in the political order of Tunisia, which is characterized by high uncertainty. He concluded that the replacement of the head of the government induces companies that have not paid dividends before to start payouts and prevents dividend payers from cancelling dividends, except for the companies under control of the governing family [31].

## Study of Influence of Sanctions, Characteristics of the Board of Directors and CEO on Dividend Payouts

### Hypotheses

***Sanctions against the CEO***

Sanctions against the CEO may have a significant influence on corporate governance because he is often the key leader and decision-maker of the company. If sanctions are imposed on the CEO, they may compromise the proper operations of the company and limit its ability to make decisions and operate efficiently. One of potential consequences of sanctions for the CEO may be the limitation of his ability to perform his duties effectively.

For example, EU sanctions completely ban European banks and companies from engaging in any economic interaction with a sanctioned person and their assets within the EU jurisdiction [4]. This may limit the CEO's ability to make decisions that are in the best interests of the company and its stakeholders. Sanctions may also instill fear and uncertainty, making it difficult for the CEO to perform his duties. If the CEO is concerned with the risk of sanctions, he may have fewer chances to take daring or innovative actions that will be to the company's benefit over the long run. In politically uncertain times it is natural for CEOs to be overcautious and reserve more profit in corporate accounts or highly liquid assets [29]. No doubt, this reduces the potential dividends and the probability of their distribution among stakeholders. Besides, the freezing of CEO's assets may significantly reduce his standard of living, thus, there is a heightened risk that he will be provoked to use company funds to his personal advantage.

*Hypothesis 1*: Sanctions against the CEO have a negative impact on the probability of dividend payout.

### *Sanctions against the Board of Directors*

Sanctions against the board of directors may produce a significant impact on corporate governance because they may compromise proper work of the board of directors and limit its ability to make decisions and supervise the company's operations.

One of potential consequences of sanctions for the board of directors is the limitation of its ability to attract and retain talent. Russian companies often engage foreign colleagues with international experience to the corporate governance bodies. Apart from that, foreign directors are often unaffiliated persons. The majority of independent directors strengthen control over managers and increase the rationality of decisions. However, the sanctions imposed on some board members scale up reputation risks of foreign employees. They often hold senior positions in several companies simultaneously, and sanctions will adversely affect their image. This enhances the likelihood of independent directors' withdrawal from the board of directors. In such cases, decisions on the restructuring of governance bodies may be made on an urgent basis, producing a negative impact on the choice of new candidates because the scope of choice of competent employees is narrowed significantly. These facts will exert a negative impact on corporate governance efficiency because this enhances the probability of the board restructuring and hiring new employees who require time to adapt. In combination with increased country-related and corporate risks which enhance uncertainty of the future cash flows the board of directors is likely to cancel dividend payouts.

*Hypothesis 2*: Sanctions against the Board of Directors Have a Negative Impact on the Decision Regarding Dividend Payouts.

### *Sanctions against the Company*

The factor of adding of a company to the US SDN list or EU sanction lists directly affects its operating, investment and financial activity. First, it is legally prohibited to persons and companies incorporated in the EU and USA to engage with a sanctioned company. However, there are few exceptions, for example, EU companies may purchase products of strategic importance for their country. For sanctioned companies it may entail a loss of long-term partnerships and the most profitable sales markets. Expansion into new markets is not always a success for a company because some countries may not have the same demand for its products.

Sanctions may impair the logistics infrastructure which has functioned for years, while the development of a new one will take time. The transportation of raw materials often implies a certain infrastructure. For gas transportation pipelines or liquefied natural gas plants are necessary in order to ship it further by sea. These facilities require serious capital expenditures, so the company will need additional funds and investments to develop them. Besides, the switch of the supply vectors to other markets may take considerable time, which, no doubt, will affect revenue indicators.

Many companies find loopholes to bypass sanctions, purchasing and selling goods through third parties. However, this is a nonoptimal strategy because instead of direct cooperation with the contractor a company has to pay the intermediary, thus increasing the logistical costs.

Investments and financial activities are also subject to restrictive measures. When a company is included in sanction lists, all its assets in the sanctioning country are frozen. Additional risks diminish the scope of investment in prospective international projects.

The company also has a limited access to the international capital market. It becomes more difficult to acquire debt financing, so the effective rate of the cost of debt for the company may potentially grow and the default risk may increase. The equity raising market also narrows down, due to heightened political risks foreign investors invest less frequently and support the companies from the sanctions lists to a lesser extent. Under such pressure on all company's lines of business, the probability of dividend payout will be reduced.

*Hypothesis 3*: Sanctions against a Company Have a Negative Impact on the Probability of Dividend Payouts.

### *CEO's Membership in the Board of Directors*

In order to study the relationship between a CEO's extent of influence and dividend payouts many authors refer to whether the CEO is also the chairman of the board of directors. In Russia we cannot study this feature because according to the legislation, the CEO cannot occupy this position [10]. Therefore, we are going to consider the influence of the CEO's membership on the board of directors. It is obvious that the CEO occupation of two managerial positions is indicative of greater power. However, even if the CEO is on the board of directors without heading it, he influences corporate decisions in any case. Consequently, agency costs increase, and control over managers lessens.

We presume that in order to compensate for the weakened corporate governance bodies the board of directors will pay dividends more frequently.

*Hypothesis 4*: CEO's Membership on the Board of Directors Enhances the Probability of Dividend Payouts.

### *CEO's Tenure*

As literature analysis shows, CEO's tenure influences the corporate dividend policy in two ways. We tend to assume that this variable has a positive impact. A CEO with a long tenure will be more involved in corporate business processes and have practical experience in corporate governance. This will produce a positive impact on the company efficiency. CEOs with such a feature are less motivated to invest in innovative projects. We agree that start-up companies, especially high-tech ones, that have not reached the peak of their development have to invest more in innovative projects and a conservative CEO will impair their prospects. However, if we consider this problem from the point of view of Russia, due to characteristics of its economy, the majority of listed companies are raw material suppliers and have reached maturity. The share of innovative companies in the Moscow Exchange is increasing, e.g., *Cian* and *Ozon*, however, their number is small. We believe that CEOs with a long tenure will have a positive influence on the probability of dividend payout.

*Hypothesis 5*: CEO's Tenure Has a Positive Impact on Dividend Payout.

***Number of Independent Directors***

Independent directors play an important role on the supervisory board of a company. This feature implies that a director has no affiliation either with the joint-stock company or the company itself. The main objective of hiring such employees is to determine the company's strategic development for the benefit of shareholders based on their competencies and experience. They are interested in maintaining effective corporate governance more than executive directors because in this way they support their image in the labour market. According to the data we have collected, in the companies where the CEO is a member of the board of directors the number and share of independent directors in the board is greater than in the companies where the CEO does not occupy this position. This fact is another proof that independent directors control the efficiency of corporate governance and reduction of agency costs. In this respect the board of directors does not have to compensate for reputational costs incurred by underperforming corporate governance bodies. Therefore, we presume that companies with a large number of such directors pay dividends less frequently.

*Hypothesis 6*: Independent Directors Have a Negative Impact on Dividend Payouts.

***Size of the Board of Directors***

The size of the board of directors is an important factor in the research dedicated to the corporate dividend policy. We have studied academic literature and found out that authors cannot reach firm conclusions with regard to the influence of this variable. To a great extent the results depend on the country and the period in which the data has been tested. We tend to believe that in case of Russian companies, boards of directors with a large number of members are more effective because there is an opportunity to unite people with governing experience in various spheres. Besides, it becomes likelier that the board of directors will control the management's performance better, increasing its productiveness and reducing agency costs. For this reason, the board of directors does not have to refund the expenses incurred because of underperforming governance bodies.

*Hypothesis 7*: The Size of the Board of Directors Has a Negative Impact on Dividend Payout.

## Research Methodology

For our research we collected data from public sources and annual disclosed reports for 2017–2022 about Russian listed companies engaged in non-banking sectors. The sample consists of 73 companies and 317 observations. We could not add the information on all companies for each year to the sample because in certain years some of them failed to disclose complete information. Some companies were listed after 2017, and we added them only for the period following the date of IPO completion.

Dividend payout (hereinafter DIV) was chosen as the dependent variable. We assigned a code to it in the calculations and made it a dummy variable where 1 meant that the company paid dividends in the studied year, and 0 – that the company cancelled dividend payouts. It is important to note that the majority of companies have year-based dividend policy, however, some of them pay dividends several times a year. If, for example, a company has a quarter-based dividend policy and it cancelled only the final dividends, we also assigned 0 to it. We chose the following indicators as independent variables: personal sanctions against board members (DirectorS), personal sanctions against the CEO (CEOS), sanctions against the company (CompanyS), CEO's membership on the board of directors (CEOPart), number of independent directors (DB) and CEO's tenure (CEOTenure).

All three variables containing information about sanctions are dummies, where 0 was assigned if sanctions have not been imposed, and 1 was assigned if they have been imposed. The remarkable thing is that according to the EU and US policy, if a company's majority shareholder has been designated, limitations are imposed on the company by default. We considered sanctions imposed by the European Union and the USA as they are the largest and most influential economies in the Western world. We assume that sanctions influence the probability of delay in dividend payouts. The final annual dividend season of Russian companies is in the summer. Sanctions imposed in the first half of 2022 impact the decision of dividend payouts for 2021 because they have been imposed before the final decision on payouts; the same logic applies to preceding years. CEO's membership on the board of directors is a dummy variable where 0 was assigned if he is not a member of the board of directors, and 1 – if he is a board member. The variable of the number of independent directors was calculated as a share of the total number of people on the board of directors. The CEO's tenure was calculated in years. We also chose the following control variables: earnings to revenue ratio (E/R), debt load (Leverage), liquid funds to assets ratio (Liquidity).

We chose a logistic regression as the model. As long as the dependent variable is a discrete variable, we are going to consider the probability of the influence of independent variables on it.

The logistic regression function – $a(x,w) = \dfrac{1}{1+e^{-W^T X}}$.

In order to detect multicollinearity, we calculated VIF ratios, establishing the threshold value of VIF = 5. If this coefficient exceeded 5, it was indicative of the presence of multicollinearity. Then we eliminated the variable or created a new one using the combination of existing variables. Also, in order to improve the model quality, we balanced the data on the CEOS, CEOPart variables because there was a disparity in the sample.

$$\mathrm{VIF}(X_i) = \frac{1}{1-R_i}.$$

## Empirical Study

Table 1 presents the descriptive statistics of the variables for 2017–2020. Table 2 provides information for 2021. One may notice an extensive difference in dividend payment frequency. In 2021, approximately 63% of companies declared dividend cancellation, while previously there had been a tendency for stable dividend payout on average by 74% of companies. As for the sanctions, one may also notice a bias towards 2021. Approximately 50% of the studied companies or their principal shareholders were designated in 2021; in 2017–2020 there were about 20% of them. The data is indicative of a significant growth in the number of personal sanctions imposed by the Western countries. In 2021, the number of designated CEOs increased six-fold. Sanctions against the board of directors are also frequently used to limit companies' operations.

**Table 1.** Descriptive statistics of the sample for 2017–2020

| | Div | CompanyS | DirectorS | CEOS | CEOPart | Ind | DB | CEOTenure | Leverage | Liquidity | E/R |
|---|---|---|---|---|---|---|---|---|---|---|---|
| mean | 0.74 | 0.2 | 0.16 | 0.05 | 0.78 | 0.34 | 10.5 | 6.7 | 1.71 | 0.09 | 0.11 |
| std | 0.44 | 0.4 | 0.36 | 0.21 | 0.41 | 0.2 | 3.2 | 5.7 | 10.3 | 0.11 | 0.13 |
| min | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 1 | –93 | 0 | –0.4 |
| 25% | 0 | 0 | 0 | 0 | 0 | 0.22 | 9 | 2 | 0.6 | 0.03 | 0.03 |
| 50% | 1 | 0 | 0 | 0 | 1 | 0.31 | 10 | 5 | 1.23 | 0.05 | 0.09 |
| 75% | 1 | 0 | 1 | 0 | 1 | 0.45 | 11.25 | 10 | 2.63 | 0.11 | 0.16 |
| max | 1 | 1 | 1 | 11 | 1 | 0.88 | 31 | 27 | 31 | 0.98 | 1.09 |

*Source*: compiled by the author.

**Table 2.** Descriptive statistics of the sample for 2021

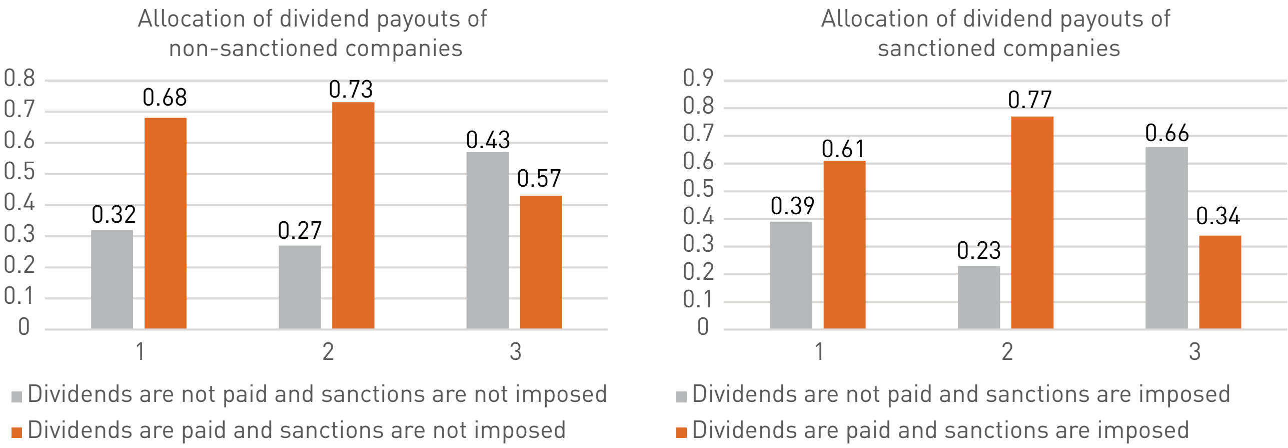
| | Div | CompanyS | DirectorS | CEOS | CEOPart | Ind | DB | CEOTenure | Leverage | Liquidity | E/R |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mean | 0.37 | 0.56 | 0.49 | 0.3 | 0.74 | 0.39 | 9.7 | 6.6 | 225 | 0.39 | 0.14 |
| Std | 0.49 | 0.5 | 0.5 | 0.46 | 0.44 | 0.17 | 2.1 | 6.1 | 9.8 | 0.14 | 0.14 |
| Min | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 | –37 | 0 | 0.12 |
| 25% | 0 | 0 | 0 | 0 | 0 | 0.29 | 9 | 2 | 0.95 | 0.03 | 0.04 |
| 50% | 0 | 1 | 0 | 0 | 1 | 0.36 | 9 | 5 | 1.08 | 0.6 | 0.11 |
| 75% | 1 | 1 | 1 | 1 | 1 | 0.5 | 11 | 9 | 2.7 | 0.11 | 0.24 |
| max | 1 | 1 | 1 | 1 | 1 | 0.85 | 15 | 28 | 68 | 0.95 | 0.68 |

*Source*: compiled by the author.

The number of companies where at least one board member had been designated more than tripled. Also, the share of independent directors increased. It happened because on average each board of directors fired one executive director, decreasing their total number to 9. The number of CEOs with membership on the board of directors in 2021 also diminished, but the figure is insignificant. The situation is similar with CEO tenure. As for financial performance, 2021 turned out to be outstanding for the majority of companies. More than 50% of firms showed profitability of revenues of over 11%, whereas in the preceding year this indicator amounted to 9.5%. The majority of Russian companies showed record profits. Such growth was caused by a favourable macroeconomic environment in the country, quantitative easing policy and lowering of the interest rate to the minimum.

The data shows that the average mean of credit leveraging in 2017–2020 was significantly lower. However, it is most likely that this coefficient is not relevant, and the high value is due to several outliers. In this case, the median value will be more representative. In 2021, over 50% of companies had the debt leverage of less than 1.07, while in preceding years this indicator amounted to 1.25. The ratio of the amount of liquid funds in companies' accounts to the assets also increased, which may be indicative of lower reinvestments of the earned profit in business.

**Figure 6.** Allocation of dividend payouts




*Source*: compiled by the author.

Figure 6 shows distribution of dividend payout and sanctions imposed on a company or one of its governance bodies. One may notice that just 23% of companies on which at least one type of sanctions has been imposed cancelled dividends in the period of 2017–2020. Apparently in 2022 companies became much more susceptible to this negative factor increasing the share of cancellations to 0.66. However, the number of cancellations by non-sanctioned companies grew as well, and it grew significantly – up to 57%. This may indicate that the majority of companies did not eliminate the risk of being sanctioned and took into consideration elevated political uncertainty.

***Correlation Analysis***

Table 3 shows a correlation matrix of the studied variables. We are going to determine the correlation values where r > |0.7| is a strong dependence, |0.5| < r < |0.7| a medium one, |0.3| < r |0.5| indicates a moderate interrelation, |0.2| < r |0.3| means a weak correlation, while a value below 0.2 indicates a very weak interrelation.

Approximately half of variables' combinations shows statistically insignificant correlations. The dependent variable has a statistically significant interrelation with the following variables: CompanyS, CEOPart, E/R, Liquidity. As for the dependent variables, combinations of CompanyS, DirectorS, CEOS have the highest correlation values of 0.4. There is a direct dependence between these variables, which is quite logical. The US and EU policy concerning the choice of sanctioned persons mainly targets large companies that are vital for the economy and government-owned companies as well as the persons related to politics and government governance bodies. While collecting data, we discovered that in such companies the position of the CEO and a member of the board of directors is often occupied by Russian oligarchs and government representatives who are high-priority targets for Western sanctions. Since the correlation is moderate, we think that in the subsequent research it is reasonable to combine all three variables in one, however, we should also consider their influence separately.

Another interesting consistent pattern can be observed: the number of imposed sanctions is directly proportionate to the number of the board of directors' members. This may be due to the fact that a larger board of directors enhances the probability that a person related to politics may be among its members. A CEO's longer tenure increases the chances of his being included in sanctions lists. If the CEO occupies his position for a long time, it indicates that he does his work impeccably or has close relations with the company owners and the government. The factor of CEO occupying two positions increases the probability of sanctions against the corporate governance bodies, however, the dependence is low, although significant.

**Table 3.** Correlation matrix

| | Div | CompanyS | DirectorS | CEOS | CEOPart | DB | CEOTenure | Ind | E/R | Leverage |
|---|---|---|---|---|---|---|---|---|---|---|
| CompanyS | –0.01* | | | | | | | | | |
| DirectorS | –0.07 | 0.41*** | | | | | | | | |
| CEOS | –0.03 | 0.37*** | 0.46*** | | | | | | | |
| CEOPart | 0.16*** | –0.01 | 0.15*** | 0.11** | | | | | | |
| DB | –0.01 | 0.13** | 0.2*** | 0.01 | 0.02 | | | | | |
| CEOTenure | 0.04 | 0.15*** | 0.14** | 0.18*** | 0.17*** | 0.17*** | | | | |
| Ind | 0.03 | –0.05 | 0.02 | 0.03 | 0.17*** | –0.1* | 0.06 | | | |

| | Div | CompanyS | DirectorS | CEOS | CEOPart | DB | CEOTenure | Ind | E/R | Leverage |
|---|---|---|---|---|---|---|---|---|---|---|
| E/R | 0.1* | 0.08 | −0.02 | 0.08 | 0.1* | −0.08 | −0.04 | 0.13** | | |
| Leverage | −0.05 | 0 | 0.05 | −0.03 | −0.11* | −0.03 | −0.07 | 0.05 | −0.02 | |
| Liquidity | −0.12** | −0.13** | −0.08 | −0.03 | −0.1* | −0.14** | 0.14** | 0.05 | 0.24*** | −0.01 |

*Note*: *** Statistical significance at the 1% level; ** at the 5% level; * at the 10% level.

*Source*: compiled by the author.

**Table 4.** Logistic regression models for 2021

| Variables | Model 1 | Model 2 | Model 3 | Model 4 |
|---|---|---|---|---|
| CompanyS | −0.5479 | −0.7753* | | |
| DirectorS | −1.413*** | | | |
| CEOS | 1.1675** | 0.6537 | | |
| CEOPart | 1.1190** | 0.6671* | 0.9596** | 0.8202** |
| DB | −0.0317 | | −0.0454 | |
| CEOTenure | 0.0101 | 0.0033 | 0.0382 | |
| Ind | −3.3367*** | −4.4776*** | −3.8351*** | |
| E/R | 5.2844*** | 5.9847*** | 6.0177*** | 6.2723*** |
| Leverage | 0.0593* | 0.0582 | 0.0377 | 0.0277 |
| Liquidity | −2.6587 | −1.5925 | −2.0757 | −5.1655 |
| AllS | | | −1.2147** | −3.2786*** |
| DBInd | | | | −0.4248*** |
| CEOTenureS | | | | 0.1905*** |

*Note*: *** Statistical significance at the 1% level; ** at the 5% level; * at the 10% level.
*Source*: compiled by the author.

First, to verify our hypotheses we built a logistic regression which comprised the data from the 2021 sample (Table 4). Model 1 demonstrated a high quality where LLR p-value tended to 0. However, some coefficients turned out to be insignificant. DB and CEOTenure showed the lowest p-value, CS was also insignificant, which may be due to its correlation with other variables. Other parameters turned out to be significant at the 3% level. DirectorS and Ind exerted a negative impact on dividend payout with the coefficients of 1.413 and −3.336, respectively. Imposition of sanctions on the board of directors reduces the probability of dividend payouts by 141%. If the number of independent directors amounts to 10% of the supervisory board, such structure will decrease this probability by 33%. Also, sanctions against the CEO and CEO's membership on the board increase the probability of payments by 116 and 112% respectively.

**Table 5.** VIF ratios of the studied variables

| Variable | VIF 2021 | VIF 2017–2020 |
|---|---|---|
| CompanyS | 3.32 | 1.56 |
| DirectorS | 3.04 | 1.61 |
| CEOS | 2.04 | 1.29 |
| CEOPart | 4.45 | 4.94 |
| DB | 8.52 | 4.99 |
| CEOTenure | 2.65 | 2.60 |
| Ind | 6.25 | 3.94 |
| E/R | 2.27 | 1.89 |
| Leverage | 1.15 | 1.04 |
| Liquidity | 1.94 | 1.78 |

*Source*: compiled by the author.

Then we conducted a multicollinearity test, calculating VIF ratios whose average value amounts to 3.5, which is indicative of a low multicollinearity of the general model, however, the coefficients of the DB and Ind variables exceed the threshold value. We presume that they may have an indirect influence on the values of other variables. In order to verify the significance of CompanyS coefficient, we decided to eliminate two variables with which CompanyS has the highest VIF value, namely DB and DirectorS. Model 2 showed that the number of independent directors and sanctions against the company are significant and produce a negative impact on dividend payout, while the CEOPart variable, just like in the previous regression, is significant and exerts a positive impact, however, this impact was reduced almost twofold. Sanctions against the CEO and his tenure turned out to be insignificant.

As long as all three variables comprising information about sanctions have a moderate and significant correlation with each other, and some of them in some models are statistically insignificant, we decided to consider them taken in totality. We created a new variable – AllS – by multiplying CompanyS, DirectorS and CEOS. It will enable us to understand how a company's dividend policy is developed if sanctions are imposed on the company, the CEO and the board of directors. Model 3 showed that the Ind and CEOPart variables turned out to be statistically significant again: the first one produces a negative influence and the second one – a positive influence with the coefficients of –3.8351 and 0.9596, respectively. DB and CEOTenure were insignificant. The impact of all three types of sanctions against the same company turned out to be significant with the coefficient of –1.2147.

Since the DB and CEOPart variables showed no significant results in the previous models, we decided to combine them with the factors with which they have a significant correlation. We obtained new variables: CEOTenureS = CEOTenure · CEOS and DBInd = DB · Ind. In the new model all variables turned out to be significant at the 5% level. It was discovered that a larger size of the board of directors with a high ratio of independent directors had a negative impact on the likelihood of dividend payouts, and the imposition of all three types of sanctions had a similar effect. In its turn, the model also showed that the probability of dividend payments increased if sanctions had been imposed only on the CEO who had been running the company for a long time. Each year of the designated CEO's tenure in the company increases the probability of dividend payout by 19%.

Let us analyze the models for 2017–2020 (Table 6). After all variables were included in the model, it demonstrated a high quality. Unlike the 2021 sample, only one indicator turned out to be insignificant, i.e., sanctions against the CEO.

All variables except for CEOS were included in model 6. It turned out that Ind, CompanyS and DirectorS had a negative impact on the dependent variable with the coefficients of –1.19, –0.46 and –0.9 respectively, which is less in modulus than similar indicators for 2021. CEOTenure, CEOPart and DB have a positive impact on the decision about dividend payout with the coefficients of 0.066, 0.7548 and 0.059 respectively.

**Table 6.** Logistic regression models for 2017–2020

| Variable | Model 5 | Model 6 | Model 7 | Model 8 |
|---|---|---|---|---|
| CompanyS | –0.4627** | | | |
| DirectorS | –0.9073*** | | | |
| CEOS | 24.8 | | | |
| CEOPart | 0.4549* | 0.7548*** | 0.7453*** | 0.9367*** |
| DB | 0.0859*** | 0.0592*** | 0.0771*** | |
| CEOTenure | 0.0697*** | 0.0661*** | | 0.0754*** |
| Ind | –1.1931** | –1.12367** | –0.8582* | |
| E/R | 9.4596*** | 9.2835*** | 8.1409*** | 11.4493*** |
| Leverage | –0.075*** | –0.0734** | –0.0624*** | –0.0516*** |
| Liquidity | –8.027*** | –7.947*** | –6.954*** | –8.4305*** |
| AllS | | –1.0772*** | –1.0733*** | –0.887*** |
| DBInd | | | | –0.0369** |
| CEOTenureS | | | 2.3906 | |

*Note*: *** Statistical significance at the 1% level; ** – at the 5% level; * at the 10% level.
*Source*: compiled by the author.

VIF ratio of the CEOS variable equals 1.29, which indicates the absence of influence of high multicollinearity. In general, the entire model is not significantly affected by the multicollinearity problem because neither of the coefficients exceeds 5.

Subsequently, we are going to consider model 7 with the variables created before. It is important to note that in this case the CEOS variable will not be included in the All variable because it is insignificant and will only compromise model quality. Therefore, in the subsequent models it will mean that sanctions have been imposed against the company and its board of directors. Simultaneous sanctions against the company and the board of directors show a negative interrelation. This variable reduces the probability of dividend payout by 107%. Since the DB and Ind variables influence the dividend payments in different ways, we decided to modify DBInd slightly in order to understand how DB exerts its impact in effective boards of directors. We took the Ind median as a criterion and assigned 1 if the value exceeded it and 0 – if it was smaller. It turned out that each member of the board of directors will reduce the likelihood of payout by 3% if the number of independent directors exceeds the median value.

## Results and Discussion

The results of the two models turned out to be similar, however, the impact of certain variables in the sample for 2021 was more significant. Sanctions against the company and personal sanctions against the board of directors' members had a negative influence in 2017–2020. Our hypotheses proved to be true. Sanctions against a company significantly complicate its operations and strategic development. First, it becomes much more difficult for the company to find long-term partners, suppliers and major purchasers because due to the imposed limitations they have no right to cooperate with a designated person, which adversely affects the company's operating activity. Second, limitations of access to the capital market, both the debt and private one, manifest themselves. The USA and EU are the largest global economies. When the company is put on their sanctions lists, it is deprived of the opportunity to attract new investors for development of prospective projects and obtain debt financing. This reduces the number of opportunities to scale up. Personal sanctions against members of the board of directors produced a negative impact on the decision regarding dividend payouts. Despite the fact that this type of corporate governance body does not participate directly in the company's operating activity, the sanctions against some of its members may severely damage the corporate reputation. The supervisory board is frequently restructured as a consequence of sanctions, which has a negative impact on its functioning.

In the sample for 2021, these variables showed a stronger influence as compared to 2017–2020. This may be due to the fact that the consequences of the sanctions were greater in 2022, political relations deteriorated and uncertainty increased. Many companies cooperated closely with the Western countries. The strained relations made them change their strategic development vector and start cooperating with Asian countries. In particular, oil and gas companies started to rapidly develop the infrastructure for sale of raw materials to Asia, requiring additional significant capital expenditures. A lot of foreign companies decided to exit projects in Russia as, for example, did the Italian company Enel, French Total and British Shell.

Although we did not include banking in the sample because it differs significantly from other economy sectors, the crisis in this sphere influenced other economic sectors as well. Sanctioned companies have fewer access to the global capital market and it has become disadvantageous to get domestic financing. Due to increased uncertainty in the country and fear of the "bank run", the Central Bank of Russia had to raise the refinancing rate to the maximum. This raise happened during the dividend season forcing companies to decide to retain undistributed profits because they had no idea when the current situation would change. One of the facts of a serious negative influence of sanction-related variables in the sample of 2021 is freezing of the National Settlement Depository [32]. Some companies that operate in Russia and belong to Russian citizens are listed in foreign stock exchanges and the Moscow Exchange offers their depositary receipts. As long as NSD was used to transfer dividends to depositary receipts holders this operation is impossible after the sanctions have been imposed. And even if a sanctioned company wished to pay dividends, the majority of investors would have been unable to receive them.

We suppose that in 2022 sanctions against the board of directors had a more serious negative impact in comparison to the preceding years, in particular due to political problems. Foreigners are often present on the supervisory boards of Russian companies. In 2022, they often withdrew from the boards because of the sanctions imposed on their colleagues. The prospects of losing a number of competent foreign employees due to additional risks, the need to replace designated directors produces a negative impact on the potential efficiency of the board of directors. The probability of hiring new employees, less experienced and skilled, also increases. This may result in weakened control over managers and loss of feasibility of the decisions made.

As for the sanctions against the CEO, our expectations were not fulfilled. In the 2017–2020 sample, this variable turned out to be insignificant. Within this time interval the limitations were ineffective and failed to achieve their goal. However, the sanctions imposed in 2022 exerted a positive impact on the decision regarding the payment of dividends for 2021. We assumed above that the freezing of CEO's foreign assets may motivate him more to take advantage of corporate benefits, thus increasing agency costs.

As compensation for an underperforming governance body, the board of directors makes the decision to pay out dividends more frequently. During a relatively stable political period in Russia in 2018–2021, the sanctions only against the CEO produced no significant results and a positive impact on dividends was observed in the time of aggravation of relations with the West. One may conclude that this type of sanctions produces no influence on company operations and its development. The logic consists in the following: in a stable economic environment, investors did not perceive these limitations as a negative signal, on this premise, the board of directors did not rely on this fact when making a decision on dividend payouts. However, during the period of high market volatility and elevated uncertainty, investors perceive all negative information highly pessimistically.

Relying on the signaling theory, we conclude that with such input data the board of directors will respond to sanctions against the CEO by means of a decision regarding dividend payout in order to send a message to the investors that this negative event will not affect the company's future prospects.

Models of both samples showed that the imposition of all three types of sanctions had a negative and statistically significant influence on the decision regarding dividend payouts. The results turned out to be quite obvious because in this case the company faced reputational costs as well as problems related to financial, investment and operations activities. With such limitations the company is most likely to retain undistributed profit as a cash cushion.

As we anticipated, the CEO's tenure turned out to be significant and showed a positive influence on the dividend payout decision, however, only in 2017–2020. A long tenure implies that the CEO is fully involved in the corporate business processes, has enough experience and knowledge in the company's field of operation and may effectively make decisions that ensure the company's sustainable and stable development, which has a positive impact on its profit.

Nevertheless, this factor had no significant influence on dividend payouts for 2021. As long as the majority of companies made the decision on dividend payout for 2021 in 2022, we believe that this variable produced no impact due to the economic crisis in Russia. We have already mentioned that the CEO gains experience each year of his tenure, which enables him to make effective decisions and "bring the company to a bright future". Besides, restrictions have been imposed on Russian companies for a while. So, the management should already have a notion of how to act under such circumstances. However, the restrictions imposed in 2022 were more severe and their scale expanded. So, the majority of Russian companies had to restructure their business processes. In this case, the probability of influence of the factors independent of the CEO increases.

In-depth analysis of this variable showed that sanctions were imposed more often on the CEOs with a longer tenure because there is a statistically significant and moderate correlation. The fact of sanctioning a CEO with a longer tenure indicated a significant positive impact. Analysis showed that if a country imposes sanctions on the CEO with a tenure longer than the median value, the likelihood of dividend payout will increase even more. We think that the reason for this is that personal sanctions are most often imposed because their target is associated with politics. A matching coefficient of the TenureCEOS variable exceeds CEOS because the chance that the CEO may be additionally sanctioned by another country increases. This will impair the company image even more, so reputational costs should be compensated to a greater extent.

Models with two time intervals showed that CEO's membership on the board of directors produced a positive influence on dividend payout. The obtained results are consistent with our hypothesis. The fact that the CEO may participate in the decision on dividend payouts and make his contribution to it significantly weakens corporate governance bodies. Agency theory supposes that there is a pronounced conflict of interests between company managers and its shareholders. The board of directors performs the function of protecting the stakeholder interests, trying to maximize the usefulness of holding the company's shares. If the CEO is a member of the board of directors, he acquires greater power and may maximize his usefulness function to a greater extent. In their turn, the investors start doubting the reliability of the board of directors. In order to solve this problem of the weakened governance bodies, the majority of board members tend to pay out dividends more frequently and in greater amounts. Besides, this CEO's characteristic, unlike his tenure, has a significant correlation with all three types of sanctions. It is obvious that if limitations are imposed on the CEO, the board of directors will also be exposed to them. As we discovered above, if sanctions are imposed not only on the CEO, they will produce a negative impact on the dividend payout. Thus, occupying two positions at the same time by the CEO will increase the probability of two corporate governance bodies being sanctioned simultaneously. This will adversely affect company operations and its reputation. In order to compensate for potential costs, the company will reimburse for them by means of dividends.

The impact of the number of independent directors turned out to be identical within two different time intervals, however, in the 2021 sample, the coefficient was more significant. The presence of independent directors produces a positive impact on the efficiency of control over company managers and making unbiased, justified decisions. Efficient corporate governance bodies reduce agency costs, so the board of directors does not need to compensate for them. So, the board may afford to pay dividends less frequently. As for the results of payments for 2021, we believe that independent directors had a more serious influence than in preceding years because of the tumultuous economic environment in the country. The directors, who are affiliated persons, will not always act only for the benefit of shareholders. This may happen, for example, if a director owns shares in the company. For this reason, he may, in pursuit of his own interests, push for a decision on dividend payout even if it is not optimal from the point of view of the macroeconomic environment. Since the majority of dividend cancellations for 2021 took place in the summer dividend season of 2022, we believe that the optimal decision for independent directors was not to pay out dividends in view of an aggravated political crisis and expected economic downturn. In our conclusion we refer to the paper by T. Huang [29], which emphasizes that it is intrinsic to corporate governance bodies to be especially cautious in times of political turmoil and to retain undistributed profit at company's accounts. In more than 50% of companies the share of independent members of the board of directors exceeded 36% in 2021. In a quarter of the companies this indicator exceeded 50%, which is indicative of a significant contribution of independent directors to decision making. In 2017–2020 the median value was lower by 5%, which could also affect the difference in the coefficients.

We assumed that the size of the board of directors would improve the efficiency of company governance, reduce agency costs and produce a negative impact on the corporate dividend policy similar to that produced by the number of independent directors. However, this coefficient turned out to be insignificant in 2021, while the 2017–2020 sample revealed a positive impact. Since we obtained controversial results and there was a correlation between our Ind and DB variables, we decided to consider how the size of the board of directors influenced the dividend policy depending on its efficiency. In efficient boards of directors, where the share of independent members exceeded the median value, the size of the board had a negative impact on dividend payouts in both samples. This once again emphasizes the fact that efficient corporate governance bodies will pay dividends less frequently because they have no reputational problems and there is no need to compensate for agency costs.

## Practical Application

Aside from a contribution to the development of scientific topics, this research will also assist investors in forming their strategies on the basis of the obtained results. For some years now Russian companies have been added to sanctions lists, and the domestic economy is exposed to high political risks. Strategies of many long-term investors are based on dividend payouts. So, it is important for them to understand how certain factors influence a company in a stable political environment and in the periods of aggravation of the political situation.

## Results

The performed research showed that sanctions against the board of directors and direct limitations of company's operations have a negative impact on the probability of dividend payouts. Sanctions against the CEO led to controversial results. In the period of relative political stability these restrictions have no influence on corporate policy and are ineffective. In the period of aggravation of political risks this type of sanctions exerts a positive impact. This difference emerges because in the crisis periods the investor sentiment is pessimistic and skeptical. For this reason, the company has to compensate for such costs by means of dividends despite the inefficiency of this type of sanctions. Thus, the cancel culture effect, that is, the refusal of the USA and EU to cooperate with Russia and the sanctions imposed on the latter had a significant negative impact on dividend payouts by Russian companies.

We also found out that efficient corporate governance bodies produced a negative influence on dividend payout decisions. CEO's membership on the board of directors and his tenure have a positive impact on the probability of payouts, however, they impair the effectiveness of governance. Also, the number of independent directors and the size of the supervisory board showed a negative impact, however, such a combination improves the effectiveness of the board of directors. During different time intervals, variables showed identical dependence, however, at the time of increased political risks the influence of independent variables rises significantly; for this reason, even a slight change in the structure of the governance bodies during a crisis may significantly reduce the likelihood of dividend payouts.

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The article **was submitted** 12.10.2023; **approved after reviewing** 14.11.2023; **accepted for publication** 05.12.2023.