

# Accepted Manuscript

## Does Carbon Risk Matter in Firm Dividend Policy? Evidence from a Quasi-natural Experiment in an Imputation Environment

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PII: S0378-4266(18)30209-7  
DOI: <https://doi.org/10.1016/j.jbankfin.2018.09.015>  
Reference: JBF 5423



To appear in: *Journal of Banking and Finance*

Received date: 11 April 2017  
Revised date: 4 September 2018  
Accepted date: 21 September 2018

Please cite this article as: Balasingham Balachandran , Justin Hung Nguyen , Does Carbon Risk Matter in Firm Dividend Policy? Evidence from a Quasi-natural Experiment in an Imputation Environment, *Journal of Banking and Finance* (2018), doi: <https://doi.org/10.1016/j.jbankfin.2018.09.015>

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## Does Carbon Risk Matter in Firm Dividend Policy? Evidence from a Quasi-natural Experiment in an Imputation Environment

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### Abstract

We examine the role of carbon risk in dividend policy, and how its effect varies between imputation (paying franked dividends) and classical (paying unfranked dividends) tax environments in the unique experimental setting in Australia. We find that the probability of paying dividend and dividend payout ratio is lower for firms in the highest-emitting industries (polluters) relative to non-polluters, subsequent to ratification of the Kyoto Protocol. While the post-Kyoto reduction in the likelihood of paying dividend is not significantly different, the reduction in payout ratio is smaller in the imputation environment than classical tax system,

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