

**THE EFFECTS OF GOVERNMENT AND
STATE OWNERSHIP ON DIVIDENDS**

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**THE EFFECTS OF GOVERNMENT AND STATE OWNERSHIP ON
DIVIDENDS**

By

**SITI SALWANI BINTI ABDULLAH
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KOLEJ PERNIAGAAN
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ABSTRACT

This study aims to investigate the relationship between government ownership and dividend policy of Malaysian listed companies. The study used a sample of 400 companies which were randomly chosen. Two dependent variables were used as a proxy for dividend namely the dividend per share (DPS) and dividend payout ratio (DPR), while 8 government agencies (EPF, LTH, KWAP, LTAT, MKD, KNB, PNB and STATE) represented the government ownership. Since dividends are truncated, the Tobit model was utilized to examine the effect of government ownership. The findings showed that there is no relationship between government ownership and dividend when using DPS as dependent variable. However, when DPR is used, the result showed that government ownership could affect the dividend policy. Furthermore, it is found that privately funded government agencies were more likely to affect dividend. This result indicates that these government agencies are rather influence the proportion of earnings distribution or the payable amount than the amount of dividend per unit of shares.

ABSTRAK

Penyelidikan ini bertujuan untuk meneliti hubungan antara pemilikan kerajaan dan dasar dividen daripada syarikat awam Malaysia. Penyelidikan ini menggunakan sampel 400 syarikat yang dipilih secara rawak. Dua pembolehubah bersandar digunakan sebagai proksi untuk dividen iaitu dividen per saham (DPS) dan nisbah pembayaran dividend (DPR), sedangkan agensi kerajaan 8 (EPF, LTH, KWAP, LTAT, MKD, KNB, PNB dan NEGARA) mewakili kerajaan pemilikan. Kerana dividen dipotong, model Tobit ini digunakan untuk menguji pengaruh pemilikan kerajaan. Penemuan menunjukkan bahawa ada hubungan antara pemilikan kerajaan dan dividen apabila menggunakan DPS sebagai pembolehubah dependen. Namun, bila DPR digunakan, hasilnya menunjukkan bahawa pemilikan kerajaan dapat mempengaruhi dasar dividen. Selain itu, didapati bahawa agensi kerajaan yang dibiayai swasta lebih cenderung mempengaruhi dividen. Keputusan ini menunjukkan bahawa instansi pemerintah agak mempengaruhi perkadaran pengedaran pendapatan atau nilai kewajipan daripada jumlah dividen pada unit saham.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

This chapter consists of an introduction and the overview of dividend payout. This chapter also includes the statement of problem, research questions, objectives of the study, and the scope of the study. This chapter also briefly discusses the significance and limitations of the study.

1.2 INTRODUCTION

When we ask ourselves the basic question of why firms pay dividend, the typical answer crossing in our mind might be to compensate owners who provide capital to the firm. In corporate finance, dividend policy is associated with a firm's cash distribution to shareholders. A few decisions about dividend payment must be made such as whether to pay a recurring cash dividend, the portion of such cash dividend should be and the frequency of the dividend payment. In other words, dividend policy is about the management of cash paid out to the shareholders of a firm.

Meggison et al (2007) documented that there are three types of dividend policies which are constant ratio policy, constant nominal payment policy and low-regular-and-extra policy. Constant ratio policy means that firms

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