DIVIDEND PAYMENT BEHAVIOUR AND ITS DETERMINANTS: THE MALAYSIAN PROPERTY SECTOR

By

FADHIRUL HISHAM BIN AZIZ

Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the Master of Science (Finance)

Kolej Perniagaan

(College of Business)
Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PROJEK
(Certification of Project Paper)

PERAKUAN KERJA KERTAS PROJEK

(Certification of Project Paper)

Saya, mengaku bertandatangan, memperakukan bahawa
(I, the undersigned, certified that)
FADHIRUL HISHAM BIN AZIZ (814428)

Calon untuk Ijazah Sarjana
(Candidate for the degree of) **MASTER OF SCIENCE (FINANCE)**

telah mengemukakan kertas projek yang bertajuk
(has presented his/her project paper of the following title)

DIVIDEND PAYMENT BEHAVIOUR AND ITS DETERMINANTS: THE MALAYSIAN PROPERTY SECTOR

Seperti yang tercatat di muka surat tajuk dan kulit kertas project
(as it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.
(that the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

Nama Penyelia : **PROF. DR. NUR ADIANA HIAU BT ABDULLAH**
(Name of Supervisor)

Tandatangan : _____
(Signature)

Tarikh : **2ND DECEMBER, 2014**
(Date)

PERMISSION TO USE

In presenting this project paper in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or in their absence, by the Dean of Othman Yeop Abdullah Graduate School of Business where I did my project paper. It is understood that any copying or publication or use of this project paper parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my project paper.

Request for permission to copy or to make other use of materials in this dissertation/project paper in whole or in part should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman

ABSTRAK

Fenomena dividen yang menghilang masih belum diterokai dalam pasaran Malaysia. Oleh itu, kajian ini dibuat bagi membuktikan sama ada fenomena ini wujud dalam sektor hartanah Malaysia. Ini dicapai dengan memerhatikan pola pembayaran dividen dalam sektor berkenaan di antara tahun 2000 hingga 2013 di samping mengkaji faktor-faktor yang mempengaruhi keputusan syarikat untuk membayar dividen atau tidak. Pola analisis telah digunakan untuk menggambarkan corak pembayaran dividen sepanjang tempoh kajian sementara kaedah logit digunakan untuk menentukan faktor-faktor yang mempengaruhi keputusan pembayaran dividen oleh syarikat. Hasil kajian menunjukkan terdapatnya peningkatan jumlah dividen yang dibayar serta bilangan syarikat yang membayar dividen. Di samping itu, kajian juga menunjukkan bahawa pembayaran dividen dalam sektor hartanah tertumpu kepada beberapa syarikat, di mana sebahagian besar daripada jumlah dividen yang dibayar setiap tahun disumbangkan oleh 10 pembayar tertinggi. Antara faktor-faktor yang mempengaruhi pembayaran dividen dalam sektor hartanah termasuk premium dividen, nisbah perolehan tertahan kepada jumlah ekuiti, keberuntungan, saiz, hutang, dan dividen tahun lalu. Oleh itu, hasil kajian ini menyokong ‘Catering Theory, ‘Lifecycle Theory’ dan ‘Dividend Smoothing Theory’. Hasil kajian menunjukkan bahawa peluang pelaburan dan krisis tidak mempengaruhi keputusan syarikat dalam sektor hartanah mengenai pembayaran dividen.

Katakunci: Fenomena dividen yang menghilang, penumpuan pembayaran dividen, sektor hartanah.

ABSTRACT

Disappearing dividend phenomenon remains unexplored in the Malaysian market. Therefore, this study investigates whether or not the phenomenon exists in the Malaysian property sector. This is achieved by observing dividend pattern in the sector between 2000 to 2013. The study investigates dividend payout in the sector further by examining the factors that influence companies' decision to pay or not to pay dividends. Trend analysis was used to describe the dividend pattern over the period while logistic regression analysis was conducted to determine the factors that influence companies' payout decisions. Findings revealed an upward trend in the amount of dividends distributed in the sector over the period as well as in the number of dividend payers. The study provides evidence of dividend concentration in the property sector of Bursa Malaysia as results shows that a large portion of dividend paid out for all the years come from the top 10 payers. As revealed by the findings, the explanatory factors for dividend payout decisions in the Malaysian property sector include dividend premium, retained earnings to total equity, profitability, size, leverage, and past year dividend. Thus, findings of the study provide support for catering theory, lifecycle theory and dividend smoothing theory. Findings indicate that investment opportunities and crisis do not play any significant role in explaining payout decisions in the sector.

Keywords: Disappearing dividend, dividend concentration, property sector.

ACKNOWLEDGEMENT

First and foremost, Alhamdulillah, thanks to Allah S.W.T for providing me the guidance, chance, and strength to complete this dissertation to fulfill the requirement of Master of Science Finance at Universiti Utara Malaysia.

I would like to express my gratitude to both Ministry of Higher Education and Universiti Teknologi MARA who gave me the opportunity to further my studies by providing the necessary assistances.

To my supervisor Prof. Dr. Nur Adiana Hiau Bt Abdullah, I would like to thank you for all the support, guidance, advice, and understanding given in both academic and personal matters. I could not imagine better words that can describe how deeply honoured I am having you as my advisor. I would also like to thank Prof. Madya Dr. Rohani Bt Md Rus and Prof Madya Dr. Nasruddin Zainuddin for their feedbacks. Their commitment and time spent for this dissertation is most appreciated. I also like to extend my gratitude to Ms. Rihanat Idowu Abdulkadir who also guides me in completing this dissertation.

Finally, I would also like to thank my wife, Jannatul Akmal Bt Taib for her continuous support, patience and sacrifices ever since I continued my studies. The same goes to my father, Aziz Bin Othman, my mother, Rabiah Bt Allidin, and all my siblings for their utmost assistance and prayers. To them and also to my newborn baby, Farhan Mirza, I dedicated this dissertation.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Since the inception of dividend policy theory pioneered by Modigliani and Miller in 1961, the issue of dividend policy has attracted numerous researchers all over the world to study on this issue. This is because a company's dividend policy provides vital information to both shareholders and stakeholders of the company. For example, from investor's perspective, dividend policy adopted by a company will signal the firm's future prospects and therefore affects its equity market value (Bhattacharya, 1979; John & Williams, 1985; Miller & Rock, 1985). This can help them in their investment decisions. Managers on the other hand could use dividend to reduce the agency cost (Easterbrook, 1984). Besides that, for creditors, excessive dividend paid to shareholders may serve as a red flag on debt repayment. Brockman and Unlu (2009) found that the creditor have the ability to influence the payout policy by exercising their rights. Black (1976) identified it as "dividend puzzle" since dividend policies are interrelated with other corporate decisions.

Fama and French (2001) discovered that dividends are disappearing due to significant reduction in the number of firms paying dividends in the United States (U.S.) market. This was later confirmed by Baker and Wurgler (2004) which proposed the catering theory, where dividend will be paid by a company to the investors based on the latter's demand. Ali and Recep (2012) further support the existence of this phenomenon

by providing worldwide evidence. However, there are some studies that reported otherwise, such as DeAngelo, DeAngelo, and Skinner (2004) which argues that dividends are not disappearing as aggregate dividends paid by industrial firms in the U.S. had increased over the study period.

With regard to dividend payment in the Malaysian market, Malaysia is the second largest dividend payout country with 48.9 per cent recorded ratio after Taiwan (83.5 per cent) within the Asia ex-Japan region (Yap, 2012). In addition, the total dividend paid by Malaysian companies had also increased from USD2.2 billion to USD7.7 billion in 2009 and 2013 respectively (Henderson Global Investors, 2014). Although there was an increase in the absolute value of dividend payment in Malaysia, the study would like to investigate whether the disappearing dividend phenomenon exists in listed property companies in Malaysia or this phenomenon only occurs in the developed countries.

1.1 Background of Study

The Malaysian capital market recorded a strong performance between 2009 and 2014. This can be seen from the latest FBM KLCI index which increased from 884.45 points in January 2009 to 1,892.25 points in July 2014 which is about 114% appreciation. Similarly, the increment is also recorded in the market capitalization with RM667.87 billion to RM1,749.49 billion on 7 October 2014, amounting to 162% increase (Ministry of Finance, 2014).

For property sector specifically, the index rose from 632.54 points in 2000 to 1293.35 points in 2013, reflecting an increase of 104.5%. Although, there was a sharp

decrease in the index in 2008 amounting to 50.21% decrease, the sector was able to bounce back the following year in 2009 by recording an increase of 51.61% (Datastream). The sharp decrease was similar to the drop in FBM KLCI index which indicates global economic downturn presence which negatively affected the Malaysian market (Appendix A).

From the Malaysian macroeconomics perspectives, property sector contributed to about 5.6% to GDP in preliminary of 2013, an increase of 0.2% from 2009. Furthermore, private consumption in Malaysia is also growing, where it is anticipated to increase about 6.9% in 2014. The increase in consumption can be observed from household balance sheet, where it is indicated that the highest composition of both household assets and liabilities in Malaysia comes from the property sector. From the assets side, the housing wealth exceeds other assets such as deposit, direct holdings of equity, Employee Provident Fund (EPF), unit trusts, and insurance. On the liability side, loan for properties is the highest compared to personal loans, motor vehicle loans, credit card, loans for securities, and others (Bank Negara Malaysia, 2014). In preliminary 2013, the total housing loan approved in Malaysia amounting to RM123,449,000, an increase of 24.3% from 2012 which recorded RM99,290,000**.**

Furthermore, the increase in the price of houses in Malaysia can be observed from the Malaysian House Price Index (MHPI). The overall MHPI is used to determine the general house price level. This is because MHPI provides information regarding the trend of house prices over time, by measuring the changes in prices paid for all houses in Malaysia. As the index is based on transactions, the changes in the amount of price paid for all houses in Malaysia for a particular year will be reflected in the index. The trend

of MHPI and prices paid for all houses in Malaysia from 2000 till 2013 is as illustrated by Figure 1.1 and 1.2.

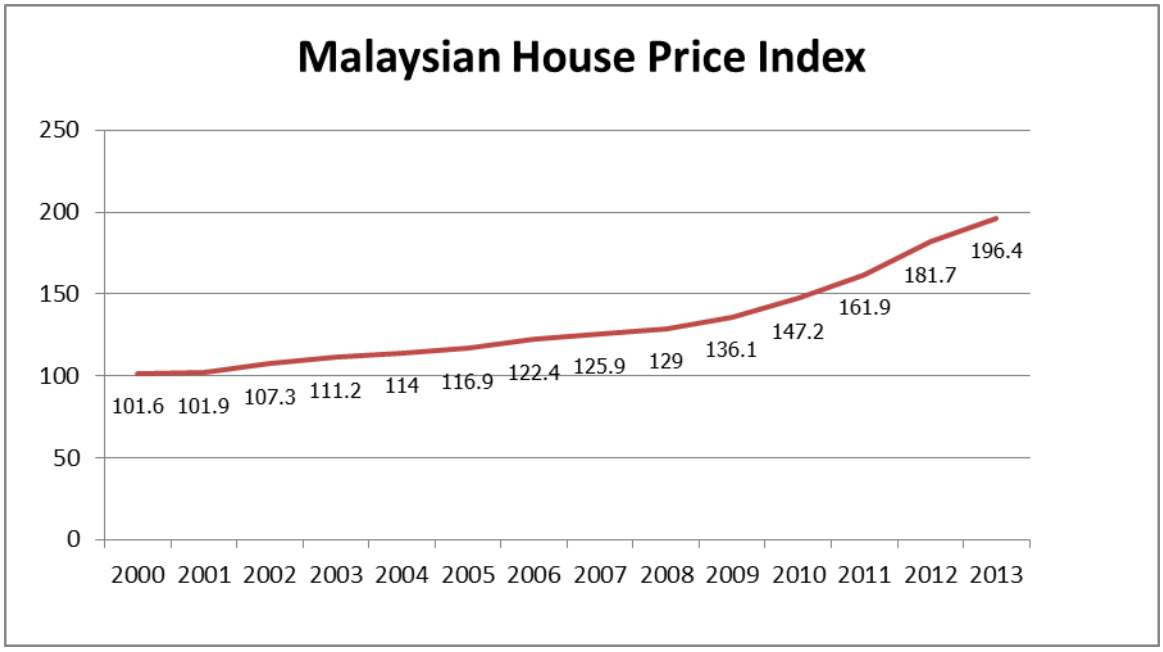


Figure 1.1
Malaysian House Price Index (2000-2013)
Source: Valuation and Property Services Department

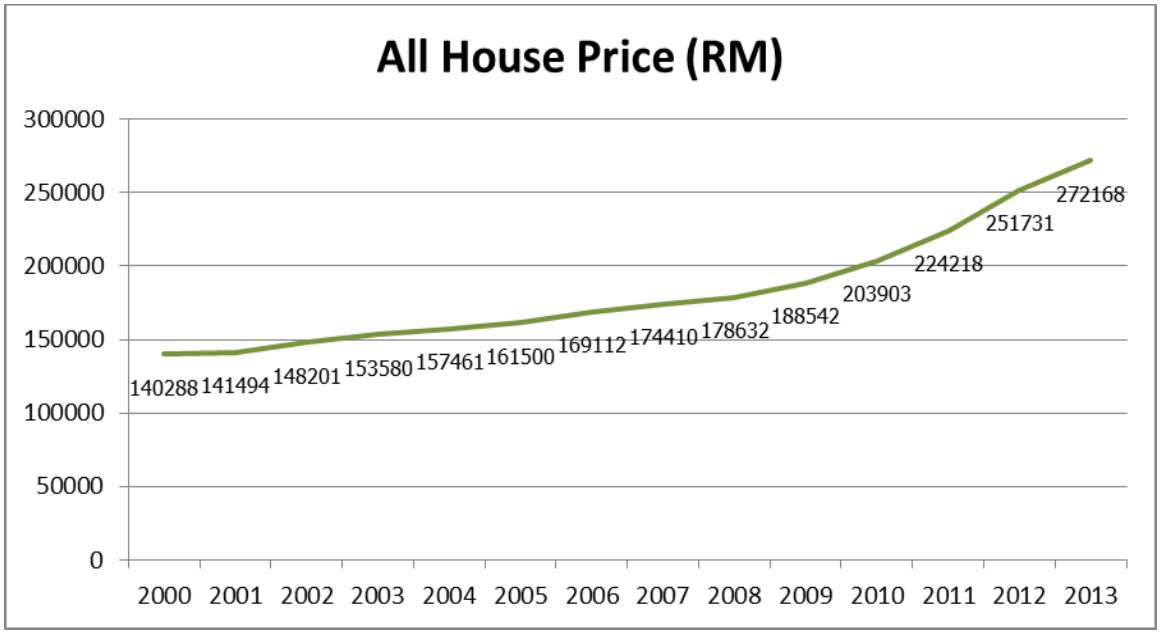


Figure 1.2
All House Price (2000-2013)
Source: Valuation and Property Services Department

From year 2000 to 2013, the index rose from 101.6 to 196.4, an increase of 94.8 points or 93.3% over the fourteen year period. The average growth recorded is about 6.66% every year. The index starts with a value of 100 in 2000, where at the end of 2000 the index value is 101.6, an increase of 1.6%. From 2000 to 2001, the index only increased with about 0.3%. It then increased significantly in 2002 to 5.3% but there onwards, the index increase at a diminishing rate in 2003, 2004 and 2005 with a rate of 3.6%, 2.5% and 2.5% respectively. The same pattern was recorded in year 2007 and 2008 with an increase of 2.8% and 2.5% after a 4.7% increase in 2006. The index pattern then shift to increasing at an increasing rate of 5.5% recorded in 2009, 8.2% in 2010, 10% in 2011, and 12.2% in 2012. The average growth of these four years alone exceeded the growth recorded for the previous nine years, with the later period recording an average increase of 9.0% while the earlier period recorded 2.9%. In 2013, the index increased by 8.1%, showing a slower rate of increase compared to 2012.

The all house price in Malaysia increased from RM140,288 to RM272,168 from the year of 2000 to 2014 , showing a leap of 94% for the fourteen years and an average of 6.7% increase every year. From 2000 to 2001, a slight increase of 0.86% in the house price is recorded, a change from RM140,288 to RM141,494. The price then rose from RM141,494 in 2001 to RM148,201 in 2002, an increase of 4.7%. However, the house price increased at a diminishing rate in 2003, 2004 and 2005 with a respective 3.6%, 2.5%, and 2.5%. The house price in 2003 is RM153,580, RM 157,461 in 2004, and RM161,500 in 2005. The pattern of increasing at a diminishing rate repeated in 2007 and 2008 after an increase in 2006. The house price in 2006 increase to RM169,112 from RM161,500 in 2005, a hike of 4.7%. In 2007 and 2008, the price is RM174,410

and RM178,632 with an increase of 3.1% and 2.4% respectively. The period afterwards shows significant increase in the house price. The price in 2009 is RM188,542 showing an increase of 5.5%. The increase in the percentage is higher than any year prior to 2009. The house price continues to increase at an increasing rate in 2010, 2011, and 2012 where 8.1%, 10%, and 12.3% increase was recorded respectively. The house price is RM203,903 in 2010, RM224,218 in 2011 and RM251,731 in 2012. However, in 2013 the rate of increase in the house price is lower compared to 2012 where only 8.1% increase was recorded from RM251,731 in 2012 to RM272,168 in 2013.

1.2 Problem Statement

The disappearing dividend phenomenon first documented by Fama and French (2001) shows that there is a significant reduction in the number of firms paying dividends in the U.S. This was further supported by Ali and Recep (2012) who found evidence in support of a significant worldwide decline in the propensity to pay dividends by using a sample of more than 17,000 companies from 33 different countries, grouped by their legal system, civil law or common law. Among the countries included in their sample are Malaysia, the U.S, Australia, Brazil, Canada, Singapore, France, Great Britain, Italy, Korea, China and Finland. Among the explanations for this phenomenon includes changing in the firm characteristics which leads to lower propensity to pay dividends (Fama & French, 2001) and firm's response to low demand for dividends (Baker & Wurgler, 2004).

In contrary, according to Henderson Global Investors (2014), the annual global dividends has increased on yearly basis from 2009 to 2013. The payment of dividend

globally had increased from USD717 billion in 2009 and reached its peak in 2013 by recording a staggering amount of USD1.03 trillion, recording growth of 43%. The average annual growth of the dividend over the period of 2009 to 2013 was recorded at 9.4%. In 2013, North America region shows the highest dividend payout of 37.3% out of total dividend paid globally. Individually, the U.S. recorded the highest dividend payout compared to other countries, making up to almost one third of total dividend paid. However, the emerging markets outperform other markets in terms of dividend growth by showing an average of annual growth of almost 20%. The dividend paid in the market increased from USD60.9 billion in 2009 to USD125.9 billion in 2013. The dividend paid in Malaysia also shows a similar trend with an increasing trend from USD2.2 billion to USD7.7 billion in 2009 and 2013 respectively. Malaysian companies contributed to 6.6% out of total dividend paid in the emerging markets in 2013. The relatively increasing amount of dividend paid in Malaysia signals the ability of companies in Malaysia to pay dividend.

In addition, the Malaysian property sector is booming. The properties price kept increasing and this had led to the intervention by the government in order to curb speculation and control property prices. The increasing performance can be seen from the Malaysian House Price Index that shows increasing trend from 2000 to 2013. Among the measures taken by the government is to further increase in the Real Property Gains Tax (RPGT) as proposed in 2014 Budget. Despite uncertainties lurking on the properties market in the first half of 2014, the developers are already shifting their focus into building more affordable housing where the demand is still strong (Maybank IB Research, 2014). This is probably due to the subsidy of RM30,000 given to private

developers for each unit built provided that they comply with the criteria of the Private Affordable Ownership Housing Scheme (MyHome) scheme, which was introduced to encourage the private sector to build more low and medium-cost houses.

Haffner and Oxley (1999) raised two main issues regarding the housing subsidy, which are efficiency and the impartiality of resource allocation of the subsidy system. They argue that whether this type of subsidy could help getting the targeted result while the latter could provide equal opportunity for different property types without causing disruptions in the housing market. Due to that, there is uncertainty that company in property sector would definitely bank in huge amount of profit despite a high demand on the low and medium cost houses. With higher number of property company capitalizing on this subsidy, there is a tendency that there will be surplus of houses in the low and medium cost segment as companies compete to offer the lowest price which eventually would reduce their profit margin. Furthermore, a large shift of focus into the low and medium cost segment would cause investment in other segments such as high-end segment to reduce, making the concentration of revenue is higher in the former segment. The risk involved is higher if the former segment fails, which eventually affects the profitability of the company and reduce the likelihood of dividend payment.

Apgar (1990) stated that the housing units may be built in depressed regions or construction may take place during the business cycle when construction costs are high relative to market rents under subsidized construction programs. Unstrategic location would reduce the number of houses purchased as buyers tend to choose project that makes it easier for them to commute, such as availability of public transport. In addition, higher cost incurred will force the property company to put higher price tag on their

units, causing lower subscription on their projects. Similarly, this would reduce the profitability and the propensity of dividend payment.

Disappearing dividend phenomenon in the U.S. and other countries in a situation where there is an increase in the annual dividend payment globally raise a puzzle of whether this phenomenon exists because of the changes in companies characteristics or a response to the demand of dividends among investors. With the boom of the property market and subsidy provided by government, this study would investigate whether the disappearing dividend phenomenon occurs in Malaysia and if so, could it be explained by the characteristics of companies and/or the investors' demand for dividends.

1.3 Research Questions

Based on the problem statement, the research questions are as follows:

(i) Does the disappearing dividend phenomenon exist in the Malaysian property sector?

(ii) What are the factors that determine decision to pay dividend in the Malaysian property sector?

1.4 Research Objectives

To achieve the purpose of this study, the research objectives are:

(i) To investigate whether or not the disappearing dividend phenomenon exists in the Malaysian property sector; and

(ii) To examine factors that determines the decision to pay dividend in the Malaysian property sector.

1.5 Significance of Study

This study would provide evidence about the dividend pattern in the Malaysian property sector. It would also help in identifying factors that affect dividend payment decisions made by listed companies. For investors, findings of this study would enable them to understand the dividend payment pattern and factors that are affecting the pattern of dividend payment of listed companies in the property sector in order for them to make better investment decision. For the companies, this study would provide them information on the investor's sentiment on dividends. To the academia, this study could be shared among students in order for them to bridge the gap between theories and practice in dividend decision making particularly in the property sector. Lastly, it could serve as a basis for examining the propensity of dividend payment and the determining factors in a specific industry in Malaysia.

1.6 Organisation of the Study

The thesis is organized into five chapters as follows:

Chapter one is the introduction. The chapter gives a background explanation in the study which includes relevant issues related to the property sector. The chapter also discusses the research questions, research objectives, and significance of the study. Chapter Two contains the review of literature related to the study. This includes discussion of related theories and review of prior empirical works. Chapter Three highlights the methods to be adopted in conducting the study. The chapter includes formulation of hypotheses to be tested, the sample selection and source of data, and explanation of the method of data analysis. Chapter four presents the results of the analysis conducted and discussion of the results. Chapter Five summarizes the basic findings of the study. The chapter also gives conclusions drawn from the findings and the implications of the study. Limitations and possible areas to explore in further studies have also been discussed in the chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides the background knowledge on the research work based on previous study. The chapter covers a brief discussion of theories related to the study. The chapter also includes review of studies on the pattern of dividend payments and also empirical evidence on factors affecting payout policies.

2.1 Related Theories.

Different dividend theories have been used to counter the position of Miller and Modigliani (1961) that dividend is irrelevant. Their dividend irrelevance theory states that dividend does not affect the value of the firm. The authors based their argument on the assumption of existence of a perfect market. However, different dividend theories have been used to explain dividend relevance as these theories indicate that dividends do affect the value of the firm. Dividend theories which relate to the present study include dividend smoothing hypothesis (Lintner's model, 1956); the catering theory by Baker and Wurgler (2004) and the lifecycle theory by DeAngelo, DeAngelo and Stulz (2006).

2.1.1 Dividend Smoothing Hypothesis (Lintner's Model)

Lintner's model (1956) is one of the earliest explanations offered on dividend. Lintner's model indicates that current dividend is influenced by earnings and past dividend. Therefore, companies consider past dividend levels in setting current dividend levels. In the seminal paper, Lintner (1956) explained that companies desire to maintain stable dividend levels. The author explained further that investors value companies that maintain stable dividends than their counterparts. Based on this theory, it is expected that companies will have higher likelihood to dividends if they have past record of dividend payment.

2.1.2 Catering Theory

The catering theory was propounded by Baker and Wurgler (2004). According to the authors, investors have varying desire for dividends and this desire change with time. Therefore, catering theory explains that firms respond to investors demand for dividends. Therefore, companies pay dividend when investors desire dividend payment and they do not pay if investors do not desire payment. Baker and Wurgler (2004) measured this investor's demand with dividend premium, that is the value which shareholders attach to dividend paying stocks.

Thus, in line with the catering theory, when investors desire dividend and companies respond by paying, investors react positively by placing higher value on the company's share. On the other hand, investors react negatively when companies fail to respond to their demand for dividends. Therefore, this theory anticipates higher tendency to pay dividend when dividend premium is high.

2.1.3 Lifecycle Theory

The stage of a company in its financial lifecycle has been used by previous authors to explain dividend policy. Grullon and Michaely (2002) explained the maturity hypothesis and states that payment of dividend is a sign of maturity of the company. DeAngelo et al. (2006) gave further explanation on lifecycle theory of dividend. As explained by the authors, lifecycle theory explains that firms in the maturity stage of their lifecycle have fewer investment opportunities, therefore they have better ability to pay dividends. DeAngelo et al. (2006) measured the lifecycle stage using retained earnings to total equity. Based on the theory, firms are expected to pay more dividends with higher retained earnings to total equity.

2.2 Pattern of Dividend Payments

The growing literature pertaining disappearing dividend phenomenon was led by a study by Fama and French (2001) who showed evidence of a significant decline of dividend paying firms in the U.S. stock market. The changing characteristics of publicly listed firms over the years, such as increasing number of small firms that recorded low profitability and strong growth opportunities is one of the reasons given for this significant decline. The other reason given is lower propensity to pay dividends.

Declining dividend payment was later confirmed by Baker and Wurgler (2004). Under catering theory introduced by the authors, it was argued that firms tend to pay dividends when the share prices of the firms that distribute dividends are higher than those who do not pay. Therefore, the propensity to pay dividend is higher with the increasing preference towards dividend on investors, which subsequently leads to

appreciation in the share price. This disappearing phenomenon was further supported by Ali and Recep (2012) who found evidence in support of a significant worldwide decline in the propensity to pay dividends for developed markets as well as developing markets. They agree with Fama and French (2001) who stated that changes in firm characteristics is the main reason for the declining number of firms that pay dividend because even after controlling for the changing characteristics of firms, the situation still persist.

Contrary to the above findings, DeAngelo et al. (2004) reported that aggregate dividends paid by industrial firms in the U.S. increased over the study period. They argued that the dividends are not disappearing, but rather, its pattern is changing due to the increase in concentration of dividend payers over the period, despite the reduction in the number of firms that pays dividend. Other studies (Al-Khasawneh, Shariff & Al-Zubi, 2012; Chahyadi & Salas, 2012; Grullon et al., 2011; Julio & Ikenberry, 2004) also provide evidence of increase in dividend payouts in the U.S. market, which is in line with the findings of DeAngelo et al. (2004).

Ferris, Sen and Yui (2006) also reported that despite reduction in dividend paying firms, there was increase in aggregate dividends paid out in the United Kingdom (U.K.). They also found that the dividend concentration in the U.K. is more severe than in the U.S. where the top 100 U.K. dividend payers account for 88.3% of aggregate dividends within the U.K. while in the U.S., DeAngelo et al. (2004) find that the top 100 dividend payers account for 81.8% of all dividends paid out. Similarly, Luc and Grzegorz (2011) found that the propensity to pay dividends in the U.K. has decreased as the number of payers had dropped from 84% to 76% in 1992 and 2004 respectively. The findings of Vieira and Raposo (2007) contradicts the earlier evidence provided on the

declining number of dividend payers in the U.S. and the U.K as the percentage of dividend paying firms in France increased from 24.40% to 65.18% in the 1992 to 2002 period.

Ferris et al. (2006) further argued that the concentration of dividend is not applicable to every part of the world as there is no such evidence in the Japanese market. In fact, there was an increase in their aggregate payout. In contrast, Eije and Megginson (2008) reported that both aggregate payout and dividend concentration are high in the European Union. This is further supported by Ali and Recep (2012). Ali and Recep (2012) findings was in contrast to Ferris et al. (2006), where the former findings indicate that there has been a significant decline in the average payout ratios of dividend payers and high degree of dividend concentration such as in 2006, when the 10 largest dividend payers accumulated a total of 66% of the aggregate dividends paid out by 9121 firms.

Evidence of declining number of dividend paying firms could also be observed in the emerging markets. Reddy and Rath (2005) argue that growth opportunities have caused a decline in the number of dividend payers in the Indian market. Similarly, Kirkulak and Kurt (2010), Lestari (2012), and Ronapat and Evans (2005) provided evidence of a decline in the number of dividend paying firms as well as the amount paid for Istanbul, Indonesia, and Thailand markets respectively. It is interesting to know whether the disappearing or declining dividend phenomenon exists in the Malaysian property sector.

2.3 Empirical Evidence on Factors Affecting Payout Policies

Fama and French (2001) specified higher profitability, larger size and fewer investment opportunities as traits of a dividend payer. They contend that firm which possesses these characteristics is in mature stage of its lifecycle, which gives them better standing in paying dividends. Baker, Saadi, Dutta and Gandhi (2007) provided the same evidence of such relationship in Canada. The relationship was established after studying 1,512 companies in Toronto Stock Exchange from 1988 to 2006 by using logistic regression. Similarly, by using Tobit estimation, Bebczuk (2004) also presented an evidence in support of Fama and French (2001) when he analysed 55 listed companies in Argentina from 1996 to 2002. In Jordan, Al-Malkawi (2007) found that higher profitability and size influence dividend payment. This result was derived after examining 160 companies in the Amman Stock Exchange from 1989 to 2000 by utilizing the probit method. Al-Malkawi (2007) further argued that large firms have higher payout ability rather than small firms due to easier access to capital markets. This is consistent to Jasim and Hameeda (2011) who also found the characteristics of a dividend payer to include higher profitability and size. This finding was documented for Saudi Arabia in their study which covered 54 companies listed in Saudi Securities Market during 1990 to 2006 by using the logit model.

However, contrary to the findings by Fama and French (2001), Baker et al. (2007), and Bebczuk (2004), Al-Malkawi (2007) found mixed findings on the two proxies of investment opportunities, market to book ratio and age of the companies. On one hand, market to book ratio was found positive and insignificant, indicating that this variable could not explain the decision on dividend payment which is contrary with the

notion that high growth company retain their income to finance future investments. On the other hand, the age of company which demonstrates the maturity of firms, shows significant positive relation indicating that more mature firms pay more dividends due to less investment opportunities. Similarly, by using the same market-to-book ratio as proxy for investment opportunity, Aivazian and Booth (2003) also found an insignificant positive relationship between market-to-book value ratio and dividend payments of companies in Korea, India, Malaysia, Thailand, Jordan, Zimbabwe, Pakistan, Turkey and the U.S. Therefore, it was purported that this ratio is not an important determinant on dividend payment.

There are mixed findings reported following the introduction of catering theory of dividend by Baker and Wurgler (2004). Under this theory, managers cater to demand of investors by changing the payout policy when the latter prefer dividend payment, indicating a shift on the investor's sentiment. Therefore, there will be higher dividend payouts if the market attaches high premium to dividend paying stocks. Li and Lie (2006) extended the findings of Baker and Wurgler (2004) to include changes in the existing dividend and found significant relations between the dividend premium and stock market reactions in the U.S. market. By using larger set of data, Ferris, Jayaraman, and Sabherwal (2009) also came to support this theory by arguing that common law countries cater to the demand for dividend from their investors rather than civil law countries. In other words, dividend payment is higher in common law countries due to investors preference on company that pay dividends, causing higher appreciation in stock prices of payers relative to non-payers. The study covered 23 countries from the

period of 1996 to 2004 and their sample was stratified based on the legal origin of the countries studied.

Tangjitprom (2013) and Rashid, Mat Nor, and Ibrahim (2013) also is in favour of this theory by providing evidence in Thailand and Malaysia respectively. Tangjitprom (2013) found that the propensity of dividend payment in Thailand is high due to high demand of dividend among the investors even though dividend is taxed more compared to capital gain. The study employed all firms listed on the Stock Exchange of Thailand during the years 1992 to 2009, excluding the firms from financial industries and firms with incomplete information. Using panel data of 361 companies listed in the Main market of Bursa Malaysia from 2002 to 2007, Rashid et al. (2013) found significant influence of market value, proxied by Tobin's Q, previous year's dividend and dividend size on dividend per share, indicating a presence of dividend catering incentives.

However, Eije and Megginsson (2008) found no evidence that catering theory exist in 15 European countries between 1989 to 2003. This is similar to the study of Baker et al. (2007) which reported that managers disregard investor's request before paying dividends in Canada. Furthermore, Hoberg and Prabhala (2009) added that the relationship between the dividend premium and dividend payment decision vanishes if risk is taken into consideration. The study was conducted by using data from Compustat that covers NYSE, AMEX, and NASDAQ securities totalling to 127,858 observations from 1963 to 2004 in the U.S. market.

DeAngelo et al. (2006) later proposed life-cycle theory, where the dividend payment decision made by a company is taken by considering its mix of earned and

contributed capital. They argued that companies with high retained earnings to total equity RE/TE or retained earnings to total assets RE/TA have higher tendency to pay dividend as large retained earnings enable them to avoid external financing. However for companies with low RE/TE or RE/TA, the probability is lower since they are in capital infusion stage. In capital infusion stage, a company retained their earnings rather than distribute out in order to finance their investment opportunities. Cash is conserved as external financing is difficult to secure and costly, resulting in no dividend payment. Lack of cash indicates that the company is immature and has high growth opportunities. Over time, as companies become more mature, they have better ability to generate excessive cash internally. Eventually, the excess cash will be distributed to the shareholders in the form of dividend.

Study by Denis and Osobov (2008) reveals that RE/TE is strongly related to the tendency to pay dividends by examining all companies except for financial, utilities, and companies with negative book equity in the U.S., Canada, U.K., Germany, France, and Japan over 1994 to 2002 . Their findings indicate that with higher retained earnings to total equity, the proportion of companies that pay dividends become larger. This is similar to other studies such as Coulton and Ruddock (2011) who provide evidence by examining companies in Australia, El-Ansary and Gomaa (2012) in Egypt, Khani and Dehghani (2011) in Iran, Shin, Kwon, and Kim (2010) in Korea, and Thanatawee (2013) in Thailand.

Farinha (2003) stated that higher leverage would reduce the probability for dividend payments. This is because debt holders may influence dividend payment decision by putting relevant restrictions. Furthermore, firms with high financial leverage

and implied financial risk tend to avoid paying high dividends, so they can accommodate risk associated with the use of debt finance. This result was derived from a study conducted on companies listed in London Stock Exchange for two time frames, 1987 to 1991, and 1992 to 1996, with 693 and 609 companies respectively for each period. However, Jasim and Hameeda (2011) found no evidence relating leverage with dividend payment. They argue that the relationship is not present in the Saudi Arabia market due to low gearing on most of Saudi's companies.

There are studies that provide evidence on the previous year dividend with dividend payment. Omet (2004) found significant relation between past year dividend and current year dividend for 44 companies in the Jordanian Stock Exchange from 1985 to 1999. Based on Lintner's Model, past year dividend and current earnings influence current dividend payment. Therefore, a high past year dividend would be associated with a high current dividend payment. Similarly, Jasim and Hameeda (2011) provide support for such relationship among companies listed in the Saudi market as past dividend was found to be highly significant and positively related to current year dividend payment.

In addition, the lack of available funding during the financial crisis causes company to become more prudent in managing their cash, which consequently affecting dividend payment. Hauser (2013) found that the financial crisis influences dividend payment, as findings show that the time dummy variables in 2008 and 2009 have significant negative relationship with the decision to pay dividends. Therefore, the result signifies that the presence of financial crisis causes companies to restrict dividend payment. The study was conducted in the U.S. market by using logit model and data from Compustat that covers NYSE, AMEX, and NASDAQ securities totalling to 13,352

observations from 2006 to 2009. However, Mollah (2011) found no evidence relating to financial crisis with dividend payout as the year dummies were insignificant. This result was derived after examining 153 companies listed in the Dhaka Stock Exchange for two time frames, from 1988 to 1997, and 1998 to 2003 by using ordinary least square method. Similarly, by using Tobit model, Al-Malkawi, Bhatti, and Magableh (2014) found that financial crisis is irrelevant in influencing dividend payment. This is because investor's preference on dividends and the concern on upholding company's reputation are more important for companies in Oman despite the outbreak of the financial crisis. This result was obtained after examining 104 listed firms in Oman from 2001 to 2010.

In Malaysia, Pandey (2003) conducted a study on the corporate dividend policy and behavior of companies listed on the Kuala Lumpur Stock Exchange from 1998 to 2003. A sample of 248 companies were chosen and grouped according to the industry. The study examined differences on the dividend payout of various industries in Malaysia by using Kruskal-Wallis and Friedman's test. The impact of changes in earnings towards dividend payment was also observed by using multinominal logit. In addition, the study determines whether companies in Malaysia follow stable dividend policy, where the dividend payment is made constantly with gradual changes in order to achieve target payout ratio. It was discovered that the payout ratio varies among the different sectors. Companies that have less growth opportunities and abundance of cash will pay high dividends, while companies that have low profitability and companies that strive for growth will have lower payout ratio. Similar to Fama and French (2001), changes in earnings also significantly affect the dividend payout ratio.

Consistent to the study by Omet (2004) and Jasim and Hameeda (2011), Pandey (2003) also found that the payment of current period's dividend depends on past dividends and current earnings. This is further supported by Al-Twaijry (2007) who conducted a study to find out factors that influence dividend policy and payout ratio. Using a statistical analysis on the cross-sectional sample of 300 companies listed in the Kuala Lumpur Stock Exchange from 2001 to 2005, profitability, past year dividend and future prospects positively influence the dividend payment, while leverage affects negatively.

Both the Malaysian studies provide explanations on the determinants of dividend payout decision. However, these studies did not examine the disappearing dividends phenomenon. Therefore this study seeks to bridge the gap and extend the literature by providing evidence on the disappearing dividend phenomenon in the Malaysian property sector.

CHAPTER THREE

METHODOLOGY

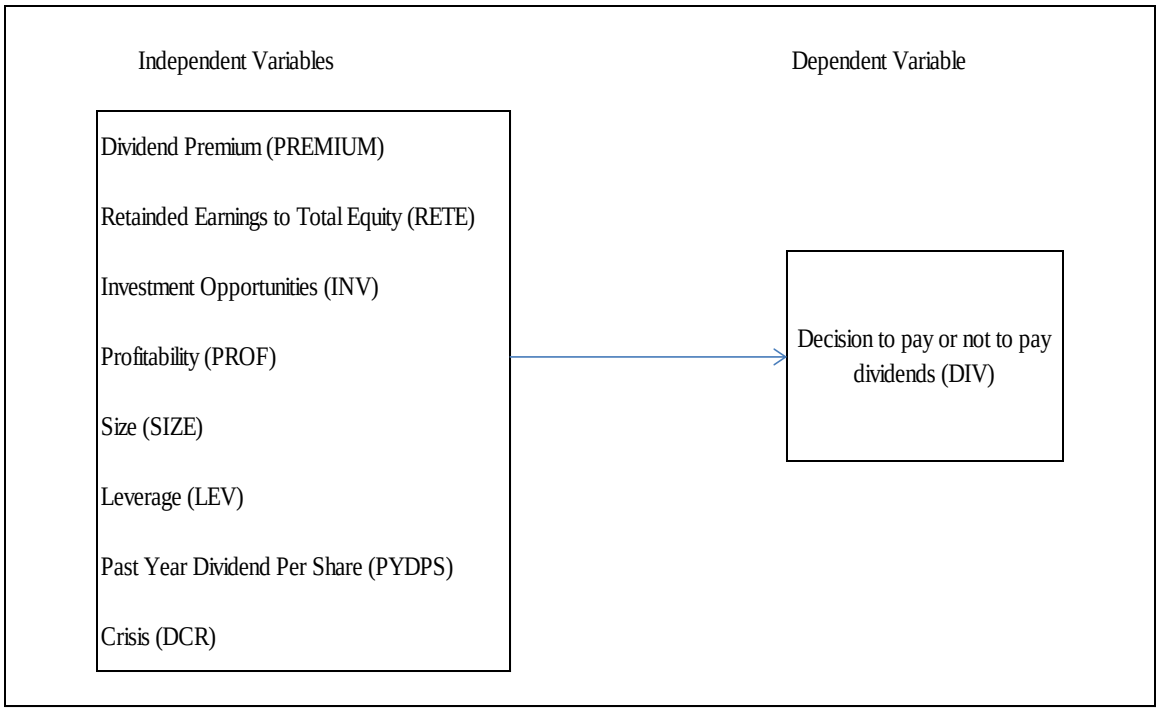
3.0 Introduction

This chapter focuses on describing the research design of the study. The sample selection, and sources of data were first explained, which is then followed by model specification and data analysis.

3.1 Sample Selection and Data Collection

The study covers all firms listed in the property sector of the Main market of Bursa Malaysia during the period 2000 to 2013 (Appendix C). The final sample after deletion of observations with missing values and outliers, consists of 990 firm-year observations drawn from 84 companies listed in the sector. The data on firm level financial information and macroeconomic variables were obtained from Datastream and company's annual report. The analysis of dividend payment is restricted to cash dividend because the amount paid are used in determining whether or not the disappearing dividend phenomenon exists in the Malaysian property sector, consistent with study by Fama and French (2001) and DeAngelo et al. (2004). The announcement made in Bursa Malaysia is used to further verify whether or not dividend payments are made by companies during the study period. This is conducted by looking at both interim and final dividend announcement which indicates whether dividend payment is made in a particular year.

3.2 Research Framework



Dummy variable which takes value of 1 if company pay dividend and 0 otherwise (DIV); log difference between the average market to book ratio of payers and non payers (PREMIUM); retained earnings divided by total equity (RETE); market to book ratio (INV); net income divided by total assets (PROF); natural log of total assets (SIZE); total liabilities to total assets (LEV), previous year dividend per share (PYDPS); dummy variable which takes the value of 1 for year 2008 and takes the value of 0 for other years (DCR).

Figure 3.1
Research Framework

As shown in Figure 3.1, the decision to pay or not to pay dividend is used as dependent variable in this study. Therefore, if a company pays dividend in one particular year, "1" is assigned. However, if the company does not pay dividend, "0" is assigned. There are eight independent variables being tested in order to relate with the decision to pay dividend. It includes using logit model, dividend premium (measure of catering theory), retained earnings to total equity (measure of lifecycle theory), investment opportunities, size, and profitability which are regarded as attributes of dividend payer, leverage, past

dividend (measure of dividend smoothing) and crisis. A summary of the variables and their definition is provided in Table 3.1.

Table 3.1
Measurement of Variables

Variables	Definition	Source
Dividend payment decision (DIV)	DIV = 1 if company pay dividend and 0 if company does not pay	Fama and French (2001) Ali and Recep (2012)
Dividend Premium (PREMIUM)	Log difference between the average market to book ratio of payers and non-payers	Baker and Wurgler (2004)
Retained Earnings to Total Equity (RETE)	Proportion of retained earnings to total equity of the company	DeAngelo et al. (2006)
Size	Natural log of total assets	Al Malkawi (2007) Jasim and Hameeda (2011)
Profitability (PROF)	Proportion of net income to total assets	Al Malkawi (2007) Jasim and Hameeda (2011)
Investment (INV)	Market to book ratio	Al Malkawi (2007)
Past Year Dividend Per Share (PYDPS)	Dividend Per Share of previous year	Lintner (1956)
Leverage (LEV)	Total liabilities to total assets	Ali and Recep (2012) Jasim and Hameeda (2011)
Crisis	Dummy variable which take value of 1 in year 2008 and 0 for other year	Hauser (2013)

3.3 Descriptive Analysis

In order to answer the first objective of this study which is to investigate whether or not the disappearing dividend phenomenon exists in the Malaysian property sector, the study employed trend analysis. Thus, tables and figures are used to describe the dividend pattern for the sector over the study period. In line with the approach of prior studies (Fama and French, 2001; DeAngelo et al., 2004), the pattern is observed based on the total dividends paid out for each year as well as the proportion of dividend payers.

This is done in order to verify whether or not the disappearing dividends phenomenon exists in the property sector.

3.4 Logistic Regression Analysis

In order to achieve the second objective of the study which is to examine the factors that determine the decision to pay dividends in the Malaysian property sector, the study employs binomial logit model in line with the approach of Fama and French (2001). Binomial logit model is employed because the dependent variable is categorical in nature and it involves the discrete choice to pay or not to pay dividends. Based on this, the logit model for the study is specified as below:-

$$DIV = \alpha_0 + \beta_1 PREMIUM_{it} + \beta_2 RETE_{it} + \beta_3 INV_{it} + \beta_4 PROF_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \beta_7 PYDPS_{it} + \beta_8 DCR_{it}$$

Where:-

DIV = Dummy variable which takes value of '1' if the firms pay dividend and '0' if otherwise

$PREMIUM$ = Log difference between the average market to book ratio of payers and non payers (proxy for catering theory)

$RETE$ = Retained earnings divided by total equity (proxy for lifecycle theory)

INV = Market to book ratio (market price per share/book value per share)

$PROF$ = Net income divided by total assets

$SIZE$ = Natural log of total assets

LEV = Total liabilities to total assets

$PYDPS$ = Previous year dividend per share

DCR = Dummy variable which takes the value of '1' for year 2008 and '0' for other years

3.5 Hypotheses Development

Based on possible determinants of the likelihood to pay dividends highlighted in the literature review, the study raises the following hypotheses:

H1: Profitability has positive impact on the decision to pay dividends.

H2: Dividend premium has positive impact on the decision to pay dividends.

H3: Retained earnings to total equity have positive impact on the decision to pay dividends.

H4: Size has positive impact on the decision to pay dividends.

H5: Investment opportunities have negative impact on the decision to pay dividends.

H6: Leverage has negative impact on the decision to pay dividends.

H7: Past year dividend has positive impact on the decision to pay dividends.

H8: Financial crisis has negative impact on the decision to pay dividends.

3.6 Summary

This chapter explains the research design in conducting the study. The sample covers all companies listed in the property sector of the Main Market of Bursa Malaysia during the period 2000 to 2013, consisting of 990 firm-year observations drawn from 84 companies after deletion of observations with missing values and outliers. The data were obtained from Datastream and company's annual report, and the announcement made in Bursa Malaysia was used to further verify whether or not dividend payments were made. The analysis of dividend payment is restricted to cash dividend. The research framework presents factors that could influence dividend payment decision. Descriptive analysis and logistic regression analysis were used to answer the first and second objective of the study respectively, with eight hypotheses being tested.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.0 Introduction

This chapter presents the analysis of results. The chapter presents the trend analysis which answer the first objective. This is followed by descriptive statistics of the variables, and discussion of the logit regression estimates which is to find the factors that determine dividend payment among companies listed in the property sector. The chapter ends with a brief summary.

4.1 Trend Analysis on Dividend Payout Pattern

In order to check whether or not the disappearing dividend phenomenon exists in the Malaysian property sector, trend analysis is implemented. Table 4.1 presents the pattern of dividend payment in nominal and real terms[1]. The real figures have been included to show the effect of changes in price level. The table also shows the number of dividend payers as well as the non-dividend payers.

[1]Real dividend was computed by discounting current values to the base year (2000) rate using annual CPI figures obtained from the Datastream (Appendix B).

Table 4.1

Dividend Payment in the Property Sector of Bursa Malaysia (2000-2013)

Year	Payer	Non Payer	Nominal Dividend (RM'000)	Real Dividend (RM'000)
2000	32	26	177,840	177,840
2001	34	30	188,690	185,919
2002	38	30	213,807	206,869
2003	37	35	227,129	217,406
2004	40	33	378,752	357,439
2005	37	36	452,280	414,676
2006	42	32	539,193	476,978
2007	38	38	543,745	471,675
2008	45	32	627,254	516,298
2009	34	45	462,646	378,485
2010	39	40	542,016	436,323
2011	43	39	801,297	625,043
2012	49	33	902,100	692,269
2013	52	32	1,609,208	1,209,535

As shown in Table 4.1, both nominal and real dividends increased between year 2000 to 2008. Contrary to expectation due to the crisis, dividend payment increased in year 2008. However, both declined in year 2009. The decline in both nominal and real dividend in year 2009 can be regarded as an aftermath of the effect of the 2008 financial crisis. Dividend payment in nominal and real terms increased again in year 2010 until 2013 with the highest payout recorded in the last year observed. The increasing dividend payment is similar with findings of DeAngelo et al. (2004) in the U.S. market.

Figure 4.1 depicts the pattern of dividend payment in the property sector of Bursa Malaysia over the period observed.

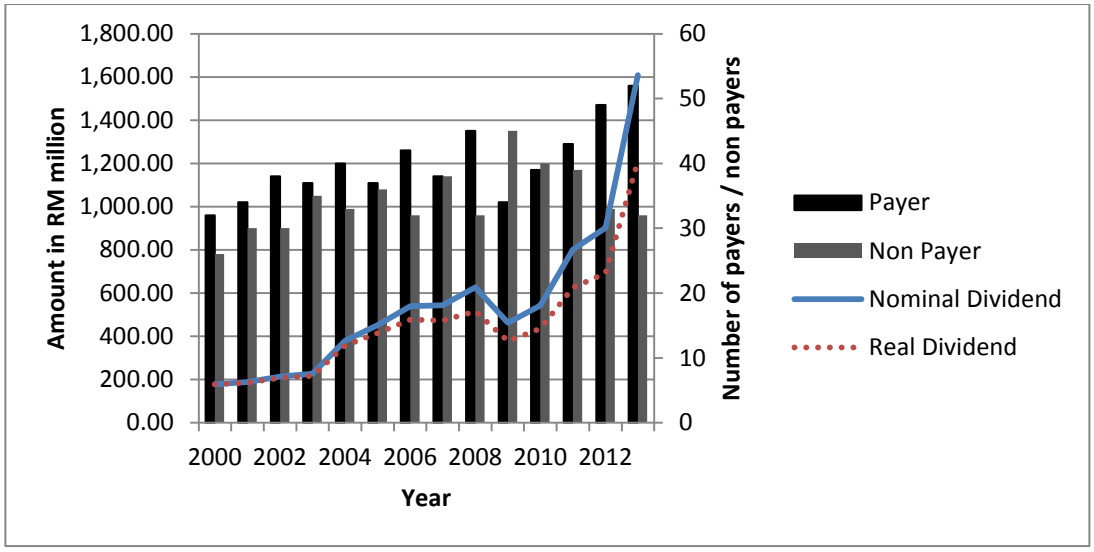


Figure 4.1
Dividend Payment in the Property Sector of Bursa Malaysia (2000-2013)

As illustrated in Figure 4.1, the real and nominal dividends follow the same pattern over the period. Both shows an upward trend in the earlier years, an apparent downward trend in year 2009 and there onwards, the pattern continue to increase from year 2010 until 2013. The figure shows that the highest level of dividend payment as well as the number of dividend payers was recorded in the last year observed. Pattern of dividend payment indicated by the findings of this study contradicts the findings of Mollah (2011) where it was argued there was no significant difference in the payout behaviour prior to and post financial crisis. Findings of this study which indicates that dividend payment is on the rise supports the earlier findings of DeAngelo et al. (2004) in the U.S. and Ferris et al. (2006) in the U.K., but contradicts to the findings of Fama and French (2001). Thus, the increasing amount of dividends and number of dividend paying companies signifies that the disappearing dividend phenomenon does not exist in the Malaysian property sector.

4.2 Analysis of Dividend Concentration

Following the approach of DeAngelo et al. (2004), the study investigates whether dividend concentration exists in the property sector of Bursa Malaysia. This is done by determining the proportion of dividend paid by top ten payers relative to the total payout in each year.

Table 4.2
Analysis of Dividend Concentration in the Property Sector of Bursa Malaysia (2000-2013)

Year	Total Dividend from Top Ten Payers (RM'000)	Total Dividend for Year (RM'000)	Proportion of Top Ten Payout to Total (%)
2000	123,756.00	177,840.00	69.59
2001	124,346.00	188,690.00	65.90
2002	134,487.00	213,807.00	62.90
2003	141,150.00	227,129.00	62.15
2004	254,406.00	378,752.00	67.17
2005	321,208.00	452,280.00	71.02
2006	365,999.00	539,193.00	67.88
2007	385,897.00	543,745.00	70.97
2008	405,478.00	627,254.00	64.64
2009	312,943.00	462,646.00	67.64
2010	342,521.00	542,016.00	63.19
2011	516,844.00	801,297.00	64.50
2012	524,469.00	902,100.00	58.14
2013	1,057,410.00	1,609,208.00	65.71

Table 4.2 shows high level of dividend concentration in the sector ranging from 58.14% to 71.02%. The concentration ratio which fluctuated over the years attained its highest level in year 2005 with 71% of the dividends paid out by the top ten payers. From the year 2000 to 2003, the ratio continues to decline, but in the year 2004 and 2005 it increases. This is then followed by a decline in the proportion of dividend paid by the top ten payers in 2006 and an increase in 2007. There onwards, the concentration ratio

keeps declining until it recorded the lowest value in the year 2012 with 58.14%. It is clearly observed that the proportion of dividend payout during the period focused on the top ten payers which indicate that dividend concentration exists in the property sector of Bursa Malaysia.

4.3 Descriptive Statistics of Variables in the Regression Model

Table 4.3 shows the descriptive statistics of the variables used in this study. The mean, standard deviation, minimum and maximum value are presented. The total number of observations in this study is 990 from a sample of 84 companies for the period 2000 to 2013.

Table 4.3
Descriptive Statistics of Variables

Variables	Mean	Std Deviation	Min	Max	Obs
PREMIUM	0.5554	0.3194	0.17895	1.3462	990
RETE	0.0040	1.3499	-6.4411	3.0406	990
INV	0.7150	0.9396	-3.7697	5.2697	990
PROF	0.0151	0.1650	-0.60022	0.3607	990
SIZE	13.252	1.0669	9.8909	16.323	990
LEV	0.5076	1.1306	0.00192	2.6556	990
PYDPS	0.0230	0.0449	0.0000	0.9300	990
DCR	0.0740	0.2618	0	1	990

Log difference between the average market to book ratio of payers and non payers (PREMIUM); retained earnings divided by total equity (RETE); market to book ratio (INV); Net income divided by total assets (PROF); natural log of total assets (SIZE); total liabilities to total assets (LEV), previous year dividend per share (PYDPS); dummy variable which takes the value of 1 for year 2008 and takes the value of 0 for other years (DCR).

The mean value of dividend premium is 0.55. This suggests that on average, investors attach 55% premium to dividend paying shares in the property sector. The mean value of

retained earnings to total equity suggests that 0.4% of the total equity is represented by the retained earnings. This indicates that on average, companies in the property sector are distributing their profit to shareholders rather than keeping it for growth. On average, investment opportunities has value of 0.72 indicating that companies have rather high growth opportunities to explore. This is not surprising considering the high demand for housing. Table 4.3 also shows that on average, companies make 1.51% return on total assets, which is represented by mean of profitability. It extends from a negative minimum value to a maximum value of 36%. Company's size which is measured by log of total assets has an average value of 13.3 (RM978,110,000). As indicated in the table, on the average about 51% of the total assets of companies in the property sector are financed by debts. The range is quite large between 0.1% to 266%. The table indicates that the maximum value of past dividend paid is RM0.93 per share while the minimum value shows that some companies in the property sector do not pay dividends. On average, companies in the sector pay RM0.02 per share. Approximately 7% of the firm year observations occurred during the crisis period.

4.4 Correlation Analysis

Table 4.4 presents the pairwise correlation analysis of the independent variables in order to check on the degree of collinearity among them. It is shown that the highest correlation coefficient is between past dividend (PYDPS) and DIV with a coefficient of. 0.59, which is followed by past dividend (PYDPS) and retained earnings to total equity (RETE) with a coefficient of 0.48. None of the correlation coefficient exceeds 0.80 which is the cut-off value that is considered high by Hair et al. (2006), indicating that multicollinearity might not be a problem in this study.

Table 4.4
Pairwise Correlation Coefficients

	DIV	PREM	RETE	INV	PROF	SIZE	LEV	PYDPS	DCR
DIV	1.000								
PREM	0.004	1.000							
RETE	0.418**	-0.080**	1.000						
INV	0.193**	-0.051	0.034	1.000					
PROF	0.181**	-0.077*	0.075*	0.219**	1.00				
SIZE	0.184**	-0.111**	0.055	0.044	0.232**	1.000			
LEV	-0.133**	0.012	0.094**	-0.090**	-0.524**	-0.300**	1.000		
PYDPS	0.594**	-0.049	0.481**	0.218**	0.166**	0.226**	-0.104**	1.000	
DCR	0.034	0.203**	0.009	-0.183**	0.041	-0.007	-0.000	0.0221	1.000

*, **, significant at 10 percent and 5 percent levels respectively. Dummy variable which takes value of 1 if company pay dividend and 0 otherwise (DIV); log difference between the average market to book ratio of payers and non payers (PREM); retained earnings divided by total equity (RETE); market to book ratio (INV); net income divided by total assets (PROF); natural log of total assets (SIZE); total liabilities to total assets (LEV); previous year dividend per share (PYDPS); dummy variable which takes the value of 1 for year 2008 and takes the value of 0 for other years (DCR).

However, to ensure that multicollinearity is not present in this study, the variance inflation factor (VIF) is reported in Table 4.5. VIF for all the variables ranges from 1.046 to 2.199 which is less than 10. This indicates that there is no multicollinearity problem in this study.

Table 4.5
Variance Inflation Factors

Variables	VIF
Profitability	2.199
Leverage	2.096
Size	1.144
Dividend Premium	1.082
Previous year dividend per share	1.068
Crisis	1.054
Investment Opportunity	1.051
Retained Earnings to Total Equity	1.046

4.5 Logistic Regression Analysis

The logit regression results are presented in Table 4.6. The logit coefficients reveal the factors that explain the outcome variable and the direction of relationship. Based on the result, determinants of the decision to pay dividends in the property sector includes dividend premium, retained earnings to total equity, profitability, size, leverage and past dividends.

Dividend premium is positively significant and this indicates that the higher the investor's demand for dividend, the higher is the likelihood for companies to pay dividends. This is consistent with the catering theory of Baker and Wurgler (2004) where companies respond to investors demand for dividends. It is further supported from

the descriptive statistics which shows a high mean value of dividend premium. The logit estimates suggests that investors in the property sector of Bursa Malaysia have high demand for dividend paying shares and that the companies respond to this demand. Thus, the rising dividend payments in the sector could be attributed to companies' response to high demand for dividends. This finding is also consistent with the prior findings of Rashid et al. (2013) who found that investors in Malaysia demands dividend payment.

Table 4.6
Determinants of Dividend Payout Decisions (*Logistic Regression Estimates)*

	Coefficient	*Std. Error*	*z*	*p-value*
const	-3.78676	1.23114	-3.0758	0.00210***
PREMIUM	0.791073	0.271462	2.9141	0.00357***
RETE	0.354152	0.112357	3.1520	0.00162***
INV	0.0699825	0.0899061	0.7784	0.43634
PROF	6.77207	1.58865	4.2628	0.00002***
SIZE	0.222978	0.0959063	2.3250	0.02007**
LEV	-1.55819	0.464689	-3.3532	0.00080***
PYDPS	82.613	7.5822	10.8956	0.00001***
DCR	0.34556	0.331167	1.0435	0.29673
No of Obs	990			

**significant at p<0.05, ***significant at p<0.01.

Results show that retained earnings to total equity is significant with a positive coefficient. The higher the retained earnings to total equity, the higher the likelihood for companies to pay dividends. This is consistent with the implication stated in the

lifecycle theory of dividend where firms in the maturity stage of their lifecycle have fewer investment opportunities, thus they have better ability to pay dividend (DeAngelo et. al, 2006). The findings support the result of prior studies El-Ansary and Gomaa (2012) and Khani and Deghani (2011) where companies with higher retained earnings to total equity have better ability to pay dividend as they have more internal funds to rely on for dividend distribution. Result shows further that profitability and size have positive and significant effect on the decision to pay dividend among companies in the property sector. This indicates that the higher the profitability and the larger the size of a company, the higher the likelihood for companies to pay dividend. This finding is in line with the results reported by Al-Malkawi (2007), Fama and French (2001) and Jasim and Hameeda (2011). Although mean profitability generated in this sector is quite low (1.51%) as indicated in the descriptive statistics, findings revealed that companies with higher profitability still have an edge above their counterparts in paying dividends. It could be inferred that more profitable companies in the sector endeavor to pay more dividends due to the high investor demand for dividends in the sector. This is with the expectation of gaining appreciation in the market value of their shares.

Results also show that past dividend is positively significant in explaining current decision to pay dividend. This supports the notion of Lintner (1956) that current dividend is influenced by past dividend. This finding also supports results obtained by Omet (2004) and Jasim and Hameeda (2011). Findings suggest that companies in the property sector of Bursa Malaysia were trying to maintain regular dividend payout. This is evidenced by the current findings and the earlier finding of Isa (1992) and more recent

finding of Pandey (2003) which reported that Malaysian companies maintain regular dividend payments.

Contrary to the other variables which showed positive coefficients, leverage tested significant with negative coefficients. This implies that the higher the leverage, the lower the likelihood to pay dividend. Result obtained on leverage is consistent with the findings of Al-Twaijry (2007). Variables insignificant in the regression model include investment opportunities and crisis. Thus, growth opportunity of companies in the property sector of Bursa Malaysia does not affect their dividend decisions. Finding which indicates that crisis is insignificant confirms the trend analysis which indicates a rise in dividend payout in year 2008. Overall, the findings of the study support hypothesis H1, H2, H3, H4, H6, and H7, but reject H5 and H8. A summary of the hypothesis testing is shown in Table 4.7.

4.6 Summary

The chapter provides answers to the research question raised in the study. For objective one, based on trend analysis, there is an increase in the amount of dividends distributed in the property sector over the period of study. Furthermore, dividend payment is concentrated among the top ten payers. As for the second objective, the logit regression shows that, dividend premium, retained earnings to total equity, profitability, size, leverage, and past year dividend are found to be significant in determining dividend payout among companies.

Table 4.7

Summary of Hypothesis Testing on Decisions to Pay Dividends

Hypothesis	Sign Obtained	Support
H1: Profitability has positive impact on the decision to pay dividends.	+	Supported
H2: Dividend premium has positive impact on the decision to pay dividends	+	Supported
H3: Retained earnings to total equity have positive impact on the decision to pay dividends.	+	Supported
H4: Size has positive impact on the decision to pay dividends.	+	Supported
H5: Investment opportunities have negative impact on the decision to pay dividends.	+	Not Supported
H6: Leverage has negative impact on the decision to pay dividends.	-	Supported
H7: Past year dividend has positive impact on the decision to pay dividends.	+	Supported
H8: Financial crisis has negative impact on the decision to pay dividends.	+	Not Supported

CHAPTER FIVE

SUMMARY AND CONCLUSION

5.0 Introduction

This chapter provides a summary of the main findings of the study and the conclusions drawn from the findings.

5.1 Summary of Findings

This study was conducted to verify whether the disappearing dividends phenomenon exists in Malaysia by using companies in the property sector of Bursa Malaysia. In offering further explanation to this phenomenon, the study also investigates factors that influence the payout decisions in the Malaysian property sector. Based on a sample of 84 firms over 14 years (2000-2013), it was found that the total dividend paid out as well as the number of dividend payers increased over the years. The study revealed that a large portion of dividends paid out for all the years covered were distributed by the top ten dividend payers. It is found that the disappearing dividend phenomenon does not exist, but dividend concentration does exist in the property sector of Bursa Malaysia. The study also revealed the determinants of the choice to pay dividends in the property sector to include dividend premium, retained earnings to total equity, profitability, size, leverage and past dividend. However, results show that investment opportunities and crisis do not have a significant effect on payout decisions.

5.2 Implications of the Study

The findings of this study could help investors to understand the dividend payment pattern and factors that are affecting dividend payment. Investors who go for dividends could invest in the property sector as it is found that the number of dividend payers and amount paid keep increasing throughout the year 2000-2013. This is particularly true among the top ten payers. The investors could also anticipate future dividend payment better when they understand what are those factors that influence dividend payment. The result is also beneficial for companies listed in the property sector. As sentiments for dividend is high among investors in this sector, companies should try to cater for the demand. To the academia, this result could be shared among students in order for them to bridge the gap between theories and practice in dividend decision making particularly in the property sector.

5.3 Limitation and Suggestion for Future Research

The study only includes companies listed on the property sector of Bursa Malaysia. Therefore, the result may not be applicable to other sectors. Furthermore, the findings also cannot be used to depict the Malaysian market as a whole. Therefore, further research can be conducted on all companies listed on Bursa Malaysia to examine whether or not the disappearing dividend phenomenon exists at the aggregate market level. A comparative analysis of the phenomenon among different sectors will also be an interesting area to explore in future research.

REFERENCES

Al-Khasawneh, J., Shariff, M., & Al-Zubi, K. (2012). Propensity to pay dividends: Evidence from the US banking sector. *International Journal of Economics and Finance*, 4(9), 130-141.

Al-Malkawi, H. A. N. (2007). Determinants of corporate dividend policy in Jordan: An application of the Tobit model. *Journal of Economic and Administrative Sciences, 23*(2), 44-70.

Al-Malkawi, H. A. N., Bhatti, M. I., & Magableh, S. I. (2014). On the dividend smoothing, signaling and the global financial crisis. *Economic Modelling*, 42, 159–165.

Al-Twaijry, A. A. (2007). Dividend policy and payout ratio: Evidence from the Kuala Lumpur stock exchange. *The Journal of Risk Finance*, 8(4), 349 – 363.

Ali, F., & Recep, B. (2012). Yes, dividends are disappearing: Worldwide evidence. *Journal of Banking & Finance* 36 (2012), 662–677.

Aivazian, V., & Booth, L. (2003). Do emerging market firms follow different dividend policies from U.S. firms?. *The Journal of Financial Research*, 26(30), 371-387.

Apgar, W. (1990). Which housing policy is best?. *Housing Policy Debate*, 1(1), 1-32.

Baker, H. K., Saadi, S., Dutta, S., & Gandhi, D. (2007). The perception of dividends by Canadian managers: New survey evidence. *International Journal of Managerial Finance, 3*(1), 70-91.

Baker, M., & Wurgler, J. (2004), A catering theory of dividends, *The Journal of Finance, 59*(3), 1125-1165.

Bank Negara Malaysia (2014). 2013 Annual Report. Retrieved from: http://www.bnm.gov.my/files/publication/ar/en/2013/ar2013_book.pdf

Bebczuk, R. (2004). Explaining dividend policies in Argentina. *Documento de Trabajo*, 50.

Bhatacharya, S. (1979). Imperfect information, dividend policy and the "bird in hand" fallacy. *Bell Journal of Economics*, 10 (1979), 259–270.

Black, F. (1976). The dividends puzzle. *Journal of Portfolio Management*, 2, 5–8.

Brockman, P., & Unlu, E. (2009). Dividend policy, creditor rights, and the agency costs of debt. *Journal of Financial Economics*, 92, 276–299.

Chahyadi, C. S., & Salas, J. M. (2012). Not paying dividends? A decomposition of the decline in dividend payers. *Journal of Economics and Finance, 36*(2), 443-462.

Coulton, J. J., & Ruddock, C. (2011). Corporate payout policy in Australia and a test of the life-cycle theory. *Accounting & Finance*, 51(2), 381-407.

DeAngelo, H., DeAngelo, L., & Skinner, D. J. (2004). Are dividends disappearing? Dividend concentration and the consolidation of earnings. *Journal of Financial Economics,* 72(3), 425-456.

DeAngelo, H., DeAngelo, L., & Stulz, R. M. (2006). Dividend policy and the earned/contributed capital mix: A test of the life-cycle theory. *Journal of Financial Economics,* 81(2), 227-254.

Denis, D.J., & Osobov, I. (2008). Why do firms pay dividends? International evidence on the determinants of dividend policy. *Journal of Financial Economics,* 89, 62– 82.

Easterbrook, F. H. (1984). Two agency-cost explanations of dividends. *The American Economic Review, 74*(4), 650-659.

Eije, H.V., & Megginson, W.L. (2008). Dividends and share repurchases in the European Union. *Journal of Financial Economics,* 89, 347–374.

El-Ansary, O., & Gomaa, T. (2012). The life cycle theory of dividends: Evidence from Egypt. *International Research Journal of Finance and Economics,* 97, 72-80.

Fama, E. F., & French, K. R. (2001). Disappearing dividends: Changing firm characteristics or lower propensity to pay?. *Journal of Financial Economics, 60*(1), 3-43.

Farinha, J. (2003). Dividend policy, corporate governance and the managerial entrenchment hypothesis: An empirical analysis. *Journal of Business Finance and Accounting*, 30, 1173-1209.

Ferris, S. P., Jayaraman, N. & Sabherwal, S. (2009). Catering effects in corporate dividend policy: The international evidence. *Journal of Banking & Finance,* 33(9), 1730-1738.

Ferris, S. P., Sen, N., & Yui, H. P. (2006). Are fewer firms paying more dividends?: The international evidence. *Journal of Multinational Financial Management,* 16(4), 333-362.

Grullon, G., & Michaely, R. (2002). Dividends, Share Repurchases, and the Substitution Hypothesis. *The Journal of Finance,* 57(4), 1649-1684.

Grullon, G., Paye, B., Underwood, S., & Weston, J. P. (2011). Has the propensity to pay out declined? *Journal of Financial and Quantitative Analysis, 46*(1), 1-24.

Haffner, M., & Oxley, M. (1999). Housing subsidies: Definitions and comparisons. *Housing Studies*, 14(2), 145-162.

Hauser, R. (2013). Did dividend policy change during the financial crisis? *Managerial Finance,* 39,584 – 606.

Henderson Global Investors (2014). Henderson Global Dividend Index Report (Edition 3, August 2014). Retrieved from www.henderson.com/getdoc.ashx?id=25856

Hoberg, G., & Prabhala, R. (2009). Disappearing dividends, catering, and risk. *Review of Financial Studies* 22, 79–116.

Isa, M. M. (1992). Dividend Policies and Practices of Listed Malaysian Companies. *Securities Industry Review*, 18(1), 53–64.

Jasim, A., & Hameeda, A.H. (2011). Corporate dividend decisions: Evidence from Saudi Arabia. *The Journal of Risk Finance*, 12(1), 45-56.

John. K., & Williams, J. (1985). Dividends, dilution and taxes: A signaling equilibrium. *The Journal of Finance*, 40(4), 1053-1070

Julio, B., & Ikenberry, D. L. (2004). Reappearing dividends. *Journal of Applied Corporate Finance, 16*(4), 89-100.

Khani, A., & Dehghani, S. (2011). The effect of financial life cycle on dividend policy of listed companies in Tehran Stock Exchange. *Interdisciplinary Journal of Contemporary Research in Business*, 3(6), 621-626.

Kirkulak, B., & Kurt, G. (2010). Are dividends disappearing or shrinking? Evidence from the Istanbul Stock Exchange. *Emerging Markets Finance and Trade*, 46(2), 38-52.

Li, W., & Lie, E. (2006). Dividend changes and catering incentives, *Journal of Financial Economics*, 80(2), 293-308.

Lintner, J. (1956). Distributions of incomes of corporations among dividends, retained earnings and taxes. *American Economic Review*, 46(2), 97-113.

Lestari, J.S. (2012). Determinants of dividend decision: Evidence from the Indonesian Stock Exchange. *Review of Intergrated Business and Economic Research*, 1(1), 346-355.

Luc, R., & Grzegorz, T. (2011). Patterns in payout policy and payout channel choice. *Journal of Banking & Finance* 35 (2011), 1477–1490.

Maybank Investment Bank Berhad (2014). Maybank IB Research Sector Update (2014, January 8). Retrieved from: http://research.maybankib.com/pdf/document/Property_SU_20140108_MKE_Draft_5624.pdf

Miller, M., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *Journal of Business, 34*, 411-433.

Miller, M. H., & Rock, K. (1985). Dividend policy under assymetric information. *The Journal of Finance*, 40(4), 1031-1051.

Ministry of Finance Malaysia. (2014). The Budget Speech (2015). Retrieved from: http://www.treasury.gov.my/pdf/budget/speech/bs15.pdf

Mollah, S. (2011). Do emerging markets firms follow different dividend policies. *Studies in Economics and Finance*, 28(2), 118-15.

Omet, G. (2004). Dividend Policy Behaviour in the Jordanian Capital Market. *International Journal of Business*, 9(3), 288-300.

Pandey, I. M. (2003). Corporate dividend policy and behaviour: The Malaysian evidence. *Asian Academy of Management*, 8(1), 17-32.

Rashid, M., Mat Nor, F., & Ibrahim, I. (2013). Evidence of Dividend Catering Theory in Malaysia: Implications for Investor Sentiment. *Contemporary Economics*, 7(4), 99-109.

Reddy, Y. S., & Rath, S. (2005). Disappearing dividends in emerging markets?: Evidence from India. *Emerging Markets Finance and Trade, 41*(6), 58-82.

Ronapat, M., & Evans, M. (2005). Disappearing dividends in the Thai capital market: Changing firm characteristics or lower propensity to pay. *Journal of Economic and Social Policy*, 10(1), 7.

Shin, M.S., Kwon, J.S., & Kim, S.E. (2010). Earned surplus and dividend policy: A test of the financial life cycle in Korean capital market. *International Research Journal of Finance and Economics*, 59, 86-100.

Tangjitprom, N. (2013). Propensity to pay dividends and catering incentives in Thailand. *Studies in Economics and Finance*, 30(1), 45 – 55.

Thanatawee, Y. (2013). Ownership structure and dividend policy: Evidence from Thailand. *International Journal of Economics and Finance,* 5(1), 121-132.

Vieira, E., & Raposo, C. (2007). Lower propensity to pay dividends? New evidence from Europe. Retrieved from http://www.papers.ssrn.com.

Valuation and Property Services Department (2013). The Malaysian House Price Index (Q3-Q4, 2013). Retrieved from:http://napic.jpph.gov.my/portal/web/guest/publication?p_p_id=ViewPublishings_WAR_ViewPublishingsportlet&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_resource_id=fileListDownload&p_p_cacheability=cacheLevelPage&p_p_col_id=column-1&p_p_col_count=1&_Vi

Yap, J. (2012, June 27). Malaysia among the highest in dividend payouts. *Borneo post online*. Retrieved from http://www.theborneopost.com/2012/06/27/malaysia-among-the-highest-in-dividend-payouts/