

**DIVIDEND PAYMENT BEHAVIOUR AND ITS DETERMINANTS: THE
MALAYSIAN PROPERTY SECTOR**

By

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Kolej Perniagaan

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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.

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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

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