

**DETERMINANTS OF DIVIDEND POLICY IN  
MALAYSIAN BANKING SECTOR**

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SECTOR**

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## ABSTRAK

Tujuan kajian ini adalah untuk mengkaji faktor-faktor yang mempengaruhi polisi dividen dalam sektor perbankan di Malaysia. Dalam kajian ini, sembilan belas bank komersil di Malaysia telah dipilih sebagai sampel dan ia termasuk lapan bank domestik dan sebelas bank luar negara. Regresi Kaedah Kuadrat Terkecil (*Ordinary Least Squares*) digunakan untuk mengkaji impak leveraj, keuntungan, kecairan, dividen masa lepas, saiz firma, pertumbuhan jualan, cukai korporat, dan risiko perniagaan terhadap polisi dividen dalam sektor perbankan dalam jangka masa lima tahun, iaitu dari tahun 2007 hingga 2011. Hasil kajian ini menunjukkan bahawa keuntungan, kecairan, dividen masa lepas, saiz firma, dan pertumbuhan jualan mempunyai hubungan positif dengan polisi dividen, manakala leveraj, cukai korporat, dan risiko perniagaan mempunyai hubungan negatif dengan polisi dividen. Hasil kajian juga menunjukkan bahawa keuntungan, dividen masa lepas, saiz firma, dan cukai korporat adalah faktor utama yang mempengaruhi keputusan pembayaran dividen. Selain itu, kami mendapati bahawa pembayaran dividen oleh bank-bank domestik adalah lebih tinggi daripada bank-bank luar negara.

Katakunci: Polisi dividen, Pembayaran dividen, Sektor perbankan

## **ABSTRACT**

The purpose of this study is to examine the factors that influence dividend policy in the Malaysian banking sector. For this purpose, a sample of 19 commercial banks in Malaysia were selected including eight domestic banks and eleven foreign banks. Ordinary Least Squares (OLS) Regression was used to examine the impact of leverage, profitability, liquidity, past dividend, size of firm, sales growth, corporate tax, and business risk on dividend policy in the banking sector over a period of five years from 2007 to 2011. The empirical results of this study show that profitability, liquidity, past dividend, size of firm, and sales growth have a positive relationship with dividend payout. Meanwhile, leverage, corporate tax and business risk have a negative relationship with dividend payout. The results of the analysis indicated that profitability, past dividend, size of firm and corporate tax were the major factors that affected dividend payment decision. Furthermore, we found that domestic banks had higher dividend payout than foreign banks.

Keywords: Dividend policy, Dividend payout, Banking sector

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## LIST OF ABBREVIATION

ANOVA	Analysis of Variance
B	Beta
BHCs	Bank Holding Companies
Bhd.	Berhad
BNM	Bank Negara Malaysia
df	Degrees of Freedom
GRET	Gnu Regression, Econometrics and Time-series Library
Ha	Alternate Hypothesis
Ho	Null Hypothesis
KLSE	Kuala Lumpur Stock Exchange
M	Malaysia
MM	Miller and Modigliani
N	Sample from Population
OLS	Ordinary Least Squares
sen	Malaysia Sen
Sig.	Significant
SPSS	Statistical Package of Science Social
Std.	Standard
t	t-Statistic
UUM	Universiti Utara Malaysia
VIF	Variance Influence Factor
$\hat{Y}$	Estimator of Y

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Chapter Overview**

In this chapter, we will discuss eight sections: section 1.1 background of the study, section 1.2 problem statement, section 1.3 research questions, section 1.4 research objectives, section 1.5 significance of the study, section 1.6 scope and limitations of the study, section 1.7 organization of the thesis, and section 1.8 chapter summary.

#### **1.1 Background of the Study**

Dividend policy is one of the critical issues in corporate finance. The company earns income from its business which is then invested in operating assets, buying securities, paying debts and distributing to stockholders. Income paid to shareholders is called dividend. Researchers and companies are always concerned about dividend payment while investors are interested to know the value of dividend. Some issues have arisen in terms of proportions of dividend from income which should be distributed to shareholders, that is, whether they should be paid cash dividend, stock dividend or they should not be paid at all. Therefore, many controversies have emerged from prior empirical studies related to dividend policy. Financial managers of the company should consider financial and non-

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