The Key Determinants Influencing Dividend Policy Among Public Listed Firms in Malaysia

Nurul Izzatul Maryam Hassan Fuzi, Nor Anis Shafai*, Norhisam Bulot and Norsharida Badri Shah

Faculty of Business and Management, Universiti Teknologi MARA, UiTM Perlis Campus, 02600 Arau, Perlis, Malaysia

ABSTRACT

The objective of this research is to examine and identify the key factors influencing dividend policy among all Malaysian public listed firms using a static model approach. This study spans between 2011 to 2021 and includes 704 listed firm from Bursa Malaysia. This research intentionally omits companies from the banking industry as well as those outside the financial sector due to issues related to significant debt levels and industry regulations. This research aims to examine the connection between leverage, firm size, profitability, liquidity, and dividend policy in Malaysia. A static model is employed to examine these relationships effectively. The significance level for each finding was set at 0.05. The multivariate regression was utilised to test the hypothesis and achieve the research objective. The results indicate that only leverage and the size of the company is positively associated to dividend payments of public listed firms in Malaysia. Meanwhile, liquidity and profitability are not statistically significant in influencing the dividend pay-out ratio. Policymakers and managers may find this study useful when deciding whether to distribute profits as dividends. The financial manager's decision regarding this policy is likely to be the most crucial.

Keywords: Bursa Malaysia, dividend policy, firm size, leverage, liquidity, static model

INTRODUCTION

Dividend policy refers to the approach adopted by the management to decide how much cash to distribute to shareholders and the timing of these payments (Lease et al., 1999). A company's dividend policy serves as an internal benchmark to determine how much of its profits to be distributed to shareholders (Mohapatra & Panda, 2022). Factors like funding limitations,

company size, shareholder expectations, and regulatory frameworks influence this choice. Despite extensive research, there is no consensus on the key elements that shape dividend policies. This study focusses on Malaysia's capital market, exploring the unique factors that affect dividend policies in the country, such as concentrated ownership structures, the role of government-linked corporations (GLCs), and specific regulatory frameworks. These characteristics complicate the decision-making process, challenging traditional dividend theories like the free cash flow hypothesis, agency theory, and signaling theory. The study aims to fill the research gap and provide insights into how Malaysian firms balance shareholder expectations with financial stability and growth affect a company's financial stability, growth, and overall value. The dataset was processed using the Stata software (version 14). Specifically, the regression analysis was carried out employing pooled Ordinary Least Squares (OLS), random effects, and fixed effects models. Prior to conducting the main analysis, several diagnostic checks were performed to ensure the absence of multicollinearity and heteroscedasticity issues. These diagnostics included examining the correlation matrix and calculating the Variance Inflation Factors (VIFs) to detect potential multicollinearity. Additionally, robust standard error estimations were used to address any possible heteroscedasticity problems and strengthen the reliability of the regression results.

PROBLEM STATEMENT

Despite extensive global research on the factors influencing dividend policy, there remains a lack of comprehensive studies focussing on the Malaysian context. Malaysia's evolving economic landscape—shaped by post-pandemic recovery, technological disruptions, and changing investor priorities—necessitates a deeper understanding of the key determinants of dividend decisions among publicly traded companies. Identifying these factors is crucial to ensure that corporate practices are aligned with long-term shareholder value creation and market expectations.

RESEARCH QUESTIONS

What are the key factors influencing dividend policy among public listed companies in Malaysia?

The variable and proxy measurement is shown in Table 1. Figure 1 illustrates the conceptual framework examined in this research. In this framework, dividend pay-out ratio is the dependent variable. Based on the flowchart, the first stage of the study identifies key determinants of dividend policy, and the rest are the independent variables which include leverage, firm size, profitability, and liquidity.

Table 1
Variable and proxy measurement

| Variables	Description (formula)	Sources
Dependent Variable		
Dividend Payout Ratio	Dividend per share divided by earning per share	Eikon Datastream
Independent Variables		
Leverage	The ratio of total debt divided by total equity	Eikon Datastream
Firm Size	Natural logarithm of sales	Eikon Datastream
Profitability	The ratio of net income divided by total equity	Eikon Datastream
Liquidity	The ratio of current asset divided by total equity	Eikon Datastream
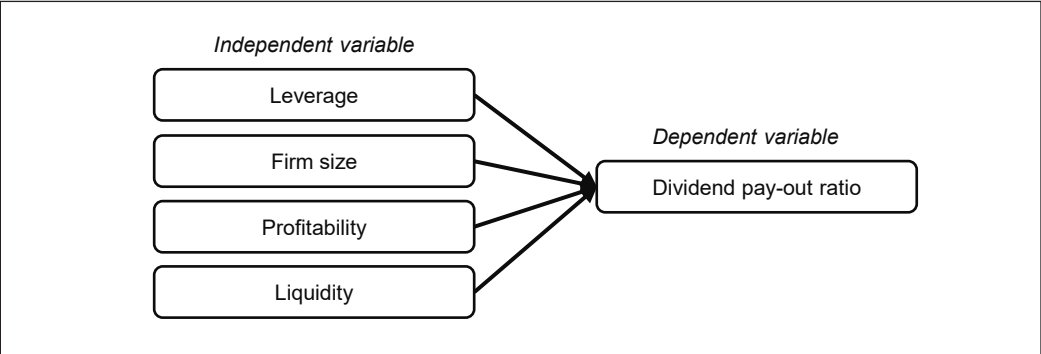
Figure 1. Diagramme of relevant theoretical framework

CONCLUSION

This study examines the key determinants of dividend policy among public listed firms in Malaysia using a static model approach. By employing the Stata 14, accurate findings were obtained for descriptive, correlation, and regression analyses. The Pooled OLS vs. Random Effects (RE) test was conducted, and only the Pooled OLS vs. RE test passed, confirming the suitability of the model.

The findings reveal that leverage and firm size are the most significant factors influencing the dividend payout ratio, while liquidity and profitability do not show a statistically significant relationship with dividend policy. These results provide valuable insights into the factors that shape dividend decisions in Malaysia's dynamic economic environment.

This study has several practical implications. For investors, it offers a clearer understanding of dividend policy determinants, which can aid in making informed investment decisions. Meanwhile, for the management, the findings highlight key financial considerations when formulating dividend distribution strategies. For future researchers, this paper contributes new evidence from a Malaysian context, thereby supporting and

guiding future developments for further exploration into evolving corporate finance trends. Overall, aligning business practices with shareholder value creation and market expectations remains crucial in ensuring sustainable financial performance and investor confidence.

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