DETERMINANTS OF DIVIDEND PAYOUT RATIO OF FINANCIAL SERVICES SECTOR: EVIDENCE FROM PUBLIC LISTED COMPANIES IN MALAYSIA

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ABSTRACT

Dividend policy is a policy that help the organization to make decision on the portion of earnings to be paid as dividend to the investor. Through dividend policy, it can help the organization to reduce the agency cost incur. Thus, the purpose of this study is to examine the relationship between Dividend Payout Ratio (DPR) among public listed financial institutions in Malaysia. Secondary data collected form annual report and Data Stream is used with observation of 10 selected financial institutions for period of 15 years from 2004 to 2018. The regression model that has been used in this study is Pooled Ordinary Least Square (POLS), Random Effect Model (REM) and Fixed Effect Model (FEM) method to determine the factor that affect the DPR in financial services sector such as liquidity (LIQ), profitability (PROFIT), investment opportunities (INV), firm size (FS) and leverage (LEV).

The results indicate that the LIQ, PROFIT, and LEV shows significant influence towards DPR of Malaysian financial institutions. This study provide useful information especially to the management to develop An effective dividend policy as it will affect the dividend payment decision of the financial institutions in the future time.

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