

**THE EFFECT OF OWNERSHIP STRUCTURE ON
MALAYSIAN FIRMS DIVIDEND PAYOUT RATE**

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ABSTRACT

1.0 Introduction

This study examining the effect of ownership structure on Malaysian firms' dividend payout rate. The ownership structure includes director ownership and ownership concentration from year 2012 until 2016. The research has chosen firms from FTSE Bursa Malaysia Top 30 Index with the criterion that must be followed : i) Listed more than four years on Bursa Malaysia, ii) Non-banking company. The Panel data analysis will be used to study the effects of corporate governance variables on dividend payout rate.

Based on the MSWG (2010), Singapore, Thailand, Australia and Malaysia itself are Asian markets that paying higher dividend to their shareholders. The company's dividend decisions include retaining the net earnings for future investment's financing and distributed as dividends to shareholders. According to the Chan & Devi (2009), There are no specific rules in managing the firm's dividend distribution policy in Malaysia and legally, every firm have a free decision how much they can give out dividend to their shareholders.

According to the section 363 (1), The Companies Act 1965 states that "No dividend shall be payable to shareholders by any company except out of profit or surplus" (Section 50). That section indicates that if the firm is willing so the dividend should be distributed to their shareholders (Chan & Devi, 2009). However, according to the Subramaniam and Suresh (2011), the word "profit" doesn't vague as scope to the company's shareholders. It is because in that section only specifies that dividends must be giving from the firm's profit, but not specific what types of profits other current profit or accumulated profit. In Malaysia, this vague scope lead to corporate governance concern because payout dividend from unrealized profit will create risk in the Malaysia Companies Acts (Chan & Devi, 2009).