



**THE DETERMINANT OF DIVIDEND PAY-OUT POLICY FOR
GOVERNMENT-LINKED COMPANIES IN MALAYSIA**

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ABSTRACT

Malaysian government-linked companies (GLCs) value creation process. GLCs, which account for 36 percent of the market capitalization of the Malaysian stock market, play an important role in the development of the country's economy. Despite the vital of GLCs in Malaysia, overall public perception of them is not really good by the performance of key players. For a long time Malaysian GLCs had under performed in comparison to the private sector. The purpose of this study is to explore the dividend behaviour to the determinants of dividend policy. The main objective of this study is to identify the determinants of dividend pay-out ratios of Malaysian GLCs from 2005 to 2015.

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

GLCs companies have played an important role in Malaysia's economy growth as they accounted for one-third of the FTSE KLCI Composite Index. Incorporation of Malaysian Government Linked Companies Ship's company (GLCs) has started in the year 2004. The performance carrying out of Malaysian GLCs have attracted attention of various interested parties company because they are directly or indirectly owned by government administration through the Government Linked Investment Investing Company (GLIC) (Mohd-Saleh, 2011).

Government Linked Companies (GLCs) are defined as companies in which the Malaysian government has a straight controlling stake. The controlling stake refers to the power of the government to assign the member of the board of director and be involved in major decision making determination devising like for example contract awards, restructuring, divestment, and acquisition.

Dividend payment is considered as one of the most commonly observed occurrence in corporations worldwide (Anand, 2004). When profitable company generates meshwork net earnings profit for a given period, its earnings is either reinvested or distributed as a dividend to the shareholders.

In Malaysia, there are no specific rules prescript in governing a firm's dividend distribution policy (Chan, Devi, Lee, & Ng, 2010). Therefore, firms are free to decide how much dividends dividend they should distribute to its shareholders.