



Dividend Policy and payout practices in Malaysia: A qualitative analysis

Mohammed Mispah Said Omar^a Abdelghani Echchabi^b

^a College of Business Administration, A'Sharqiyah University, Sultanate of Oman,
Mohammed.omar@asu.edu.om

^b Endicott College of Global Management, Woosong University, Republic of South Korea,
aechchabi@endicott.ac.kr

Keywords

Dividend Payout,
Malaysia, Taxation,
Agency Cost.

Jel Classification

G24, G32, G35.

Abstract

Since stock prices reflect the firm's future earnings potentials (Miller and Rock, 1985), dividends announcements therefore convey new information to the market about the future prospects of the corporation. As such, the objective of the current study is to examine the potential role that dividend payouts play in influencing the fund managers and investors in recommending or selecting a stock, and for various stocks' performance assessment. In addition, the study attempts to examine the possible effect of taxation on dividends payout. The study uses qualitative methods in form of semi-structured interviews conducted with six Malaysian investment managers. The findings revealed that dividend payouts are not solely used as a basis for stock recommendation and assessment of companies' performance by fund managers in Malaysia. Furthermore, taxation was found to be significant in determining dividend payouts by companies in Malaysia. These findings have great contributions to the dividend policy theory, as well as to the practitioners and policy makers that are discussed in details at the end of the paper.