

Dividend Policy Revisited in an Emerging Market

Nadisah Zakaria^{1*}, Foo Siong Min², Aik Nai Chiek³, Lim Boon Keong³

¹Faculty of Business, International University-Malaya Wales, Jalan Tun Ismail 50480, Kuala Lumpur, Malaysia

²Accounting and Finance Department, School of Business and Economics, Universiti Putra Malaysia, 43400 Serdang, Selangor

³Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman, 43000 Kajang, Selangor, Malaysia

*Corresponding author's email: nadisah@iumw.edu.my

ABSTRACT

This study examines the impact of dividend policy on the share price volatility for 376 non-financial firms listed on Bursa Malaysia from 2003 to 2021. The authors break down the sample periods into two sub-periods: pre-pandemic (2013-2019) and during the pandemic (2020-2021). By setting the share price volatility as the dependent variable, dividend yield and payout ratio as the independent variables, company size, earnings volatility, leverage and asset growth as control variables, the relationship among the variables are subsequently examined by regression analysis. Conforming to the dividend relevance theory, the study's empirical findings suggest that greater dividend yield and dividend payout shall lower share price volatility, encouraging investors to invest in high-dividend paying firms with certain returns in the future. Further examination reveals that the chosen control variables produce predicted results and sit alongside earlier Malaysian studies. These include both earnings volatility and leverage are positively associated with the share price volatility, while firm size demonstrates a significant negative association with the share price volatility. The present study finds that asset growth does not influence share price volatility. The presented findings suggest a dividend smoothing behaviour by Malaysian firms during COVID-19 and dividend stocks are more favoured by the investors.

Keywords: Dividend policy, Dividend yield, Dividend payout

