

Dividend Payments, Agency Costs and Consistency as Shariah Compliant Status: Evidence from Malaysian Listed Companies

Dayang Ernie Nurfarah'ain Awang Ahmad ¹ and Azilawati Banchit ^{2*}

1,2 Faculty of Business and Management, Universiti Teknologi MARA,
Sarawak Branch, Kampus Samarahan, 94300 Sarawak

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ABSTRACT

This paper is novel as it examines public listed companies' dividend payments and consistency in status as Shariah Compliant by the Securities Commissions in the Malaysian capital market. The study also analyses the efficiency of managers to generate revenues by comparing both shariah and non-shariah compliant companies to determine the occurrences of agency conflicts. The sample of collected data were extracted from the Refinitiv Eikon Database from the 2016 until 2020 in various industries in Bursa Malaysia. The ANOVA test shows that both the Shariah and non-Shariah compliant companies pay dividends to their shareholders between 29 to 35 % on returns average. Interestingly, the decisions to pay the shareholders show that the shariah compliant companies are more likely to pay out dividends as compared to the non-shariah counterparts. Revenue generation is also found to be higher by 62 %. Overall, shariah compliant companies demonstrate statistically significant higher dividend with better usage of asset or lower agency conflicts in Malaysia.

Keywords: Shariah, public listed companies, agency conflicts, dividend, and asset utilization ratio, Malaysia, developing market