The Effects Of Corporate Governance On Dividend Payout Policies In Malaysian Banks

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Abstract: The aim of this study is to exam the effect of corporate governance on dividend payout policies in Malaysian banks. In particular, it aims to study the relationship between the board size, board independence, and CEO duality and to test the correlation that affects the dividend policy in the Malaysian banks. In this research, the sample of this research were six Malaysian banks from public listed companies in Malaysia for five years from 2011 to 2015. Data was collected from the company annual report and data stream. The data was analyzed using SPSS, the correlation and ANOVA analysis were used to investigate the relations of board size of a company, board independence, and the CEO duality with the company dividend. The research findings show that the CEO duality and board independence has negative relationship to the company dividend policy. The research is expected to contribute to the investor, policymaker, shareholder, further researchers and academicians, the understanding on the viable that indulge on the company dividend policy. Thus, the level of corporate governance can be improved.

Keywords: corporate governance, dividend payout policy, banks, Malaysia

1. Introduction

Corporate governance is considered as one of the basic elements in attaining positive management and performance control over an entity. Basically, it is a procedural analysis involving a series of direction and controlling of a company, structuring the distribution of responsibilities and rights among the people steering the navigation of the entity towards good performance and goal achievement. These people include members like the board of directors (both independent and dependent), manager of the firm, the shareholders and stakeholders of the firm as well. All these individuals are involved in matters pertinent towards the decision making process of the company and as such a definition of their precise responsibility and rights is pronounced by the study of corporate governance (Thomson, 2009). In specificity of nature, corporate governance differs from one country's perspective to another but generally all countries do have their corporate governance codes in running, controlling and directing their endeavors. On the Asian peninsula, corporate governance was not much of a big deal to be paid attention to not until the happening of the Asian financial crisis in 1997. This financial catastrophe left may countries in Asia struck significantly economic wise. As a result of this, it intensified the dire importance of corporate governance and its codes on how companies should streamline their management system. In the year 2014, a report was made showing how much of improvements had been imparted on Asian countries after adopting good corporate governance for the past fifteen years. The report was made by the OECD which further mentioned how the importance of corporate governance was then integrated and adopted far and wide across Asia and how the global standards of corporate governance been implemented as well. Hong Kong is the first Asian country to implement its corporate governance codes in the year 1993. In the happening of the Asian Financial Crisis, other ASEAN countries adopted as such on their initial implementation of corporate governance. Below is a summary table of countries on when they implemented their initial corporate governance immediately after Hong Kong. Many countries adopted the corporate governance ideology in the year 2002. India was last the country to adopt the ideology. After the initial implementation, many countries revised their codes because of one reasons or another on the functionality of the codes, and the revision was made to fit the management purpose and scope based on the nature of the countries (Organization for Economic Co-operation and Development, 2014). The principles of OECD are pronounced to offer the benchmark of corporate governance generally all around the worldwide to investors, companies and also entity policy makers of other business regulatory bodies like Minority Shareholder Watchdog Group and so forth (OECD, 2015). Initially, the principles revolving around the OECD were six when firstly formulated back then in 2004, namely:

- Ensuring the basis for an effective corporate governance framework
- Rights of shareholders and key ownership functions
- Equitable treatment of shareholders
- Role of stakeholders
- Disclosure and transparency
- Responsibilities of the board

These six dimensions have since then been used as a benchmark to look into matters revolving around corporate governance and also as well as their codes, rules and regulations. Furthermore, they have been used as the score card in the Asian territory to validate the individual company's performance (OECD, 2015). Malaysia started its implementation of its initial corporate governance strategy in 1997. This is because after the happening of the Asian Financial Crisis, it stirred the confidence of many financial investors and other stakeholders in the country. Companies in Malaysia then started to pay a closer attention towards the corporate governance and its attributable characteristics associated with it. This was firstly led by looking into their corporate governance structure and reviewing it so as to improve on their framework and standards via Malaysian Code on Corporate Governance in 2000 (SCM, 2012). The code has since then undergone two series of revisions. This was conducted so as to improve on the intended purpose of the governance codes in achieving its role and responsibilities which stayed in line with its intended framework. It has been seen as a milestone take in improving Malaysia's corporate governance system (SCM, 2012). Below is a summary on the items it focused on mainly:

- Directors
- Director's remuneration
- Shareholder
- Accounting and auditing

Because of contemporary changes in the economy and market in Asia, in 2007 there was led yet another change on the corporate governance codes. The new amendments made were mainly focusing on the last four main areas of focus; accounting and auditing. Other remaining three elements were not unchanged, their scope of specificity of function remain the same. The only additional factors detail to all is that more strength was laced on the board of directors and audit committee so that there is maximum assurance on the two bodies as they also play a major role in good corporate governance practices (SCM, 2012). In general, MCCG implicitly is involved with dividend payout issues. This is so because its main concerns revolves around issues regarding the board of directors independency, duality roles of board members, the size of the board, and more other factors determining the dividend payout policy making to shareholders. Some of the areas where the revision has strengthen is for example, establishment of clear roles and responsibilities of members, strengthening compositions, reinforcing independence of members, fostering utmost commitments among board members, emphasizing on integrity in financial reporting, recognition and management of risks, ensuring quality disclosure of financial statements to stakeholders and strengthening the relationship between the company and is shareholders and main stakeholders (SCM, 2012). The ASEAN Corporate Governance Scoreboard is formulated under the ASEAN which was established in 2011 with the main purpose of improving and increasing the corporate governance. The main aim of this scoreboard is to improve on the standards of corporate governance running in entities. Also, it steers on market visibility in the ASEAN market so that it can attract foreign investors in other countries to invest in ASEAN listed companies. Apart from that, it offers a platform for comparability when it comes to corporate governance among the Asian companies. Here in Malaysia, only the top 100 companies under the Bursa Malaysia are listed in the scoreboard for benchmark comparability purpose to steer positive competition. The scoreboard has two main prongs of analysis, the first amalgamating the five principles of OECD previously named earlier. The second prong revolves around stating the minimum scoreboard of performance for any public listed company and penalty relayed for failure of not complying with the minimum requirements (Asian Development Bank, 2014). When profits are earned in an entity like a company or corporation, it might offer some monetary distribution to its shareholders a certain percentage on earnings realized on an investment project. This is unto the company to issue or not having gone through a decisional analysis by the board members; dividend (O'Sullian&Sheffrin, 2003). If a company has high profits realized which translates to high retained profits as well among its current equity, then it will issue higher dividends to its shareholders. Alternatively, dividend strategy is the money related strategies in regards to the installment of profit in term of sum and sort of profit need to be paid out and in the meantime keep up the organization benefit and image; and deal with shareholder's welfare (Brunzell, Liljeblom, Löflund, &Vaihekoski, 2014). In a nut shell, there are myriad of ways in which a company an issue its dividends to its shareholders. It can issue the dividends in form of cash dividends via cheques most of the times. It can also be issued in form of stocks/shares where it assumes itself in the form of issuing new additional shares or stocks. Verily, it can also be in the form of property dividends paid out in the form of assets. Finally, it can also be issued as interim dividends which are pronounced before a company's general meeting and disclosure of the financial statements (Black & Scholes, 1974). The dividend making policy will have an implication on the company's decision making strategies. For example, the board of directors will be influenced on how much dividend they should issue and pay to its shareholders and how it will value its set of goals and objectives; either to maximize the shareholder's wealth or improve on the corporate wealth. Also, it has a possessive effect on the decisions made by the managers of the companies, whether or not they should pay up the dividends or declare no dividends to be issued this year and save them as retained earnings for this year (Hirschey, John & Makhija, 2005). The dividend policy also affects the perception of external stakeholders of the company and not only the internal ones. It might have an influence on the company's investors and the general financial market. The determination of how a company sets its dividend policies is determined by its present financial situation and an analysis of its future. As a result, in order to have equilibrium between both the shareholders' wealth and the company's corporate wealth, the board of directors need to play an important and effective role in determining what to be done efficiently (Da et al., 2004). Malaysia is on the list of countries classified as the emerging countries in terms of business market. Malaysia of the late five years has been experiencing a high dividend rate as a result of the post crisis global commodity boom. This result has been brought forward by the country being an active exporter of oil and gas consecutively for the past five years. Because of this, companies of oil and gas have been experiencing renouncing dividend pay outs rates to its shareholder leading to an implementation of the shareholder maximization wealth model (Panigrahi, Zainuddin, &Azizan, 2014).

2. Problem Statement

For maximum efficiency in a board of directors, the element of diversification needs to be present. Diversification refers to the board bearing different types of management skills, different professions, level of experiences and years and the list goes on. All these above named characteristics will be needed to steer a healthy analysis on both the corporate wealth and shareholder's wealth as well. In Malaysian companies though there is no define rule of determining the skills and professional experience of a board director. Many of the directors are kept as ageing directors who ran the company for over years while some are passed down to because of family owned environment in the companies (Low, 2011). It has led to many board related problems in

Malaysian companies. Thus, having a board director with less spectrum of diversification will affect the efficient determination of dividend policies to be implemented in a company affecting both corporate and shareholders wealth. In any board of directors, it is highly recommended that at least two members or a percentage rate of thirty three out of the total board members should be independent. The functions of independent directors are to nature and monitor major decisions taken by the chief director of the board, to give an independent opinion to the board in making sure that the rights of maximizing shareholder's wealth is not abused or ignored, ensure effective dividend policy decisions are met and so forth. Generally, the independent director is viewed as an individual who brings about positive contributions towards the dividend making policies. The criticism nature of the problem statement here comes, if an independent director was not initially present in the company from its conception, obviously he will lack the right analysis to make effective and efficient decisions with matters pertinent to shareholders wealth. Thus, it is highly critique on the issue that the independent director's usefulness when it comes to making decisions with regards to dividend policies (SCM, 2012). The concept of separation of power and duality of powers by the CEO is also an issue to be scrutinized. Separation of powers and duality of power means that the CEO, for example, should not have more than one definitive role in the company. That is, if he is assigned with CEO duties then he cannot assume duties prescribed by the CFO. Conceptually, a CEO should have a definitive role and not at any time hold two or more roles as it will interfere with his self-interest and power. But in Malaysia about 70% of bursa Malaysia listed companies are held by family ownership, where a family member could hold both the position as a CEO and Chairman (Hirschey et al.,20010).The criticism here arises where the question on his concentration of power does it come to affect the company's dividend payout policies or not (Amran & Ahmed, 2010). When CEO in companies own shares in their respective company, they ultimately become the major shareholders. This power of majority makes them having rights to vote in meetings (Low, 2011). The above scenario will reduce agency problem since the intents of the CEO are in line with the goals objective of the shareholders which is to maximize their wealth. However, all is good until when the CEO goals are somewhat different from the goals of the shareholders. This can come as a result where the CEO has invested into long term tenure projects. The CEO will then only make long term decision which will generate revenue on a long term basis. This will be substituted with the propensity of making short term decisions to pay up for dividends. The CEO who holds the position for a longer time then will tarnish CEO reputation in the company when it comes to shareholder's wealth albeit his long term experience in the company is a viable element to be considered especially in making effective decisions. The problem here comes in that there is a chance that the CEO will abuse his rights and affecting the dividend policy issue (Low, 2011).

3. Research Objectives

The primary objective of this study is to investigate how corporate governance affects dividend policy in Malaysia on the business and service sector in Klang Valley. The specific objectives are as follows:

- To investigate the relationship between board size of a company and the company's dividend yield
- To investigate the relationship between board independence and the company's dividend yield
- To investigate the relationship between the CEO duality and the company's dividend yield

4. Literature Reviews

4.1 Underpinning Theories

4.1.1 Agency theory

This is one of the oldest theories in business concepts. It was successfully discovered in the year 1991 by two researchers where they studied the separation of power and how it influences the management control over a company exclusive performance (Berle & Means, 1991). The two named researchers later on stated that the two inclusive factors pinned in their study will have an effect on the company's performance in the long run. Another analysis was by Jensen and Meckling (2012) found that there is an integrated relationship between management of ownership structure of a said company and its long term performance. This integration brings about a positive relationship between the two named variables. This is all because of the company's incentive to allow the two factor variables to relate. Mitnick (2013) pronounces that; agency theory is basically a theory which amalgamates the relationship environments between agents and principals in a company. By the term agents it connotatively assumes the character played by the shareholders and the otherwise being the management staff of the company. Thus, the said principals are individuals who literally employ the agents as they have a notion of investment in the company in which it generates profits to the entity and in return they get rewarded with dividends from shares invested. In the light of agency theory analysis, corporate governance plays a major role in the dividend policy issue in a company. A good practice of corporate governance will have a maximum efficiency in keep in control the happening of agency theory problems and issues between the shareholders and the management staff; executives, thus, having a maximum support in dividend payout continuity (Adjaoud & Ben-Amar, 2010).

4.1.2 Signaling theory

This theory revolves around the existence of imperfection information in a company. When the capital gains of a said company are then brought to analysis, they tend to have a lower rate as compared to cash dividends (Bhattacharya, 2012). In line with that, Talmor (2010) argues that signaling theory also plays a role in asymmetric information in a company. This asymmetric information works hand-in-hand with the signaling theory (imperfection of information) and financial decision makings both on short term or long term basis. According to Al Amarneh and Yaseen (2014), they found out that this theory is manipulated by managers of a company to provide them with the future prices of shares and all the information with regards to shares to shareholders. Surprisingly, this information is neither collected nor relayed to the shareholders the same way as perceived by the management, thus, rendering the correlation of it to be totally negative. For the gap created by signaling theory, it is suggested that both the shareholders and the management should have an equilibrium platform of channeling and exchanging of information in a way that none is left biased to the other. This will maximally and ultimately improve on their relationship (Basoglu & Hess, 2014). According to Ouederni (2011) he believes that this theory can bring about a modification along the way on dividend policy especially when the information regarding to this matter is received earlier enough for foreseeing of the future cash flow analysis. In doing so, it brings about balance between the inequality once created by the signaling theory among its shareholders and management.

4.1.3 Stewardship theory

When the shareholders wealth and objectives is maximized then one could say stewardship theory has blended in. This is so because this theory tends to look into the benefits accrued by the shareholders based on how much they have invested in the company (Donald & Davis, 1991). The researchers match on forward to argue that, when a CEO is also a shareholder of a company then maximum return on equity invested by shareholders will be realized better than if separated into two different stand-alone aspects. Thus, under this theory it is argued by Edlestone and Kellermanns (2007) that the person in charge of being the steward sacrifices his own wealth so as to improve and maximize the general wealth of the company so that the company achieves its objectives and goals. Even under family owned environment based companies, there will only be a positive effect on dividend payout if there is an efficient implementation of strategy development and the family based company. Because of the self-centeredness of agents and the realized conflict between the shareholders (principals) and the agents of the company then the resultant effect is the borne of stewardship theory (Schillemanns, 2013). Managers should then work uprightly so as to make sure the company realizes their set objectives and goals. If taken positively; stewardship theory, it might be the most effective tool in protecting the company's assets and rewarding in return a good dividend payout to shareholders (Schillemanns, 2013).

4.2 Board Size

With respect of Mansourinia, Emamgholipour, Rekabdarkolaei and Hazoori (2013) they prove that there is a relationship between the dividend payout and the size of the board in a company. This was analyses back there in Tehran where regression analysis was used to derive such conclusion on the sample size of the companies put to test. In the same light of analysis, another researcher by the name of Uwuigbe (2013) found out that there is a positive relationship between the dividend payout and the size of a board in a company. His argument was that the bigger the board the more of the dividend will be distributed across the members. The same outcome of analysis was reported by Subramaniam and Susela (2011) in that they found as well a positive relationship between the dividend payout and the board size of a company. The only outspoken difference in their analysis is that, they based their research on family owned company which still bore the same results as the prior researchers. It is because of the higher stake of family in the business which strengths supervisors to convey income among the family as profit. On the contrary of the prior result analysis reached by the previous named researchers, the opposite was also reached by fellow research mates. For example, based on a study conducted by Yermack in 1996 he found out there is a negative correlative between the board size and the dividend payout policy in a company. He argued that if the number of the board members reduces then a positive increment on the dividend will be witnessed (Yermack, 2009). To back him up were other researchers who witnessed the same outcome but went on further to validate their findings with other reasoning. According to Guest (2009), he stated out that it is because of poor communication among large board size members, a decrement in cohesive touch on the board and increased free-riding of members turning them into non-active members' results to the seen negative relationship. Thus, according to him the smaller the board the better the dividend payout because the board and dividends are substitute to each other to control organization cost and when the board is extensive the higher profits will be paid. As indicated by Kiel and Nicholsan (2003), expansive boards can screen the assets of a company in a better way, which at last enhances the execution of an organization. This is on the grounds that the distinctive individuals may have different foundations and learning. Be that as it may, by constraining the board size makes it less demanding to screen each member, which settles on choices rapidly and effectively made (Haniffa and Hudaib, 2006). Additionally, a littler board measure productively takes the choices in regards to profit payout approach. Both little and huge boards have points of interest and weaknesses. Nonetheless, it does not legitimize that size of the board matters when coming to choosing about dividends payout. In conclusion, this paper also expects a positive relationship between the dividend payout policy and the size of the board of a company. This is made from the review of literatures conducted by the previous named researchers.

4.3 Board Independence

Personal saving is the amount of money that a person or an When an inclusion of independent directors is made in a board of directors then the efficiency of the board is well achieved and results to its theme independence. According to Mansourinia and his fellow mates, said that there is no relationship between the board independence and the dividend payout policy in a company. This research was conducted in Tehran among 140 companies. It was clearly seen that the board members both independent and non-independent had nothing to do with the dividend payout policies of their companies (Mansourinia et.al, 2013). As much as there are many barring factors leading to the inefficiency of corporate governance in a company, board independence is among them, and it holds the top most position (Alshabibi& Ramesh, 2011). This will later on translate in affecting the company's dividend policy. Among other listed factors which might have an effect on the company's dividend polices was seen to be financial leverage and size of the company. According to Mehar (2005), he stated that in Pakistan less dividends are paid to the shareholders of a company as this is because most companies in the country depend on external sources of finance. Also, this dividend is monitored by managers in the companies and is not issued in favor for the shareholders thus presenting a lower dividend pay. Other researchers like Sharma (2011), Hu and Kumar (2004) and Jiraporn and Ning (2006) all showed positive relationship between the board independence and the dividend payout policy albeit the first two possessed weak positive relationship. They all agreed that the board independence helps to reduce and or stop agency related issues in the company and thus improve on the dividend payout policies. Agency costs can also be mitigated by introducing an independent member in the board who is externally based. This is because the independent member will act like watchdogs of the shareholders in the company by making sure that their rights –shareholders- are well taken care of, protected and the value of their wealth is kept on a rise (maximization). Consequently, this means that board independence has a positive relation to dividend payout (Belden, Fister & Knapp, 2005). Kowalewski, Stesyuk, & Talavera (2007) also reported that same thing that shareholders will ask for more dividends when the board is made up directors who are from the internal environment of the company and not outsiders. This is because they have worries regarding their dividends payout as they feel that the directors will not award them fairly. Finally based on the above said, it is expected in this paper that there is a positive relationship between the size of the board and the dividend payout policy.

4.4 CEO Duality

Possessing the notion of a CEO duality will mean that one is CEO in a company and also holds a role as the Chairman in the same company. According to Mansourinia et.al (20013) the CEO duality was not seen as a factor affecting the dividend payout policy in their research conducted on the 140 companies in Tehran thus this draws the conclusion for them that there is no relationship between the CEO duality and the dividend payout policy in a company. According to Chen, Lim and Kim (2011) found out that when a CEO hold more than the intended standard role in a company then the dividend payout is not really issued. In simplicity it discourages the pay of dividends. This then indicates that there is a negative relationship between the CEO duality and dividend payout. The CEO since he holds dual position in the company affects the corporate governance of the company as other members in the board cannot fully express their work functionalities in the board as they feel overpowered. Thus this in return also affects board independence. A research conducted in Hong Kong and Taiwan also portrays the same results when CEO holds more than one role in the company; less dividend payout. This was seen as such as the CEO holds extra power to control the management of the company the way he feels suit and fit. In return this cause work integration among members in the board and leaves the say only to the CEO (Pan, 2009). In Malaysia, it was seen that CEO duality can be used as a measure to bring about alignment between the interest of the managers and the shareholders and thus reduce the issues pertinent to agency and its costs. This is because the CEO as the chairman of the company is seen to have powers to control the management of the company which results to issuing lower dividend to shareholders. Thus it is also seen to be having a negative relationship between CEO duality and dividend payout (Schen&Suffian, 2014). In spite of the entire above, one researcher experienced an opposite result on this research. According to Obradovich and Gill (2012) they found out that there is a positive relationship between dividend payout and CEO duality in a company. Prosperous companies make benefit which is circulated among shareholders and utilized for future development and flourishing. At the point when top managerial staff likewise the CEO, he or she required to settle on choices identified with earned salary amassed in held profit. He or she has choices to put earned pay in working resources, to get securities, or to appropriate to shareholders as money profits. Finally, in this paper it is also expected to be seen that there is a negative relationship between dividend payout and CEO duality in a company.

4.5 Hypothesis development

Based on literature reviews done, the following hypothesis are developed:

H_1 There is a positive relationship between a company's board size and its dividend yield policy

H_2 There is a positive relationship between a company's boards' independence and its dividend yield policy

H_3 There is a positive relationship between CEO duality and a company's dividend yield policy

5. Methodology

This research is a quantitative research. The design of this research is correlational study. This design is used in this study to test the relationship between dependent variable and independent variables. It has been widely used by previous researchers to quantify the data and run for the statistical analysis (Malhotra, 2007). There were 43 banks licensed by the central bank of Malaysia. The study population was top six Malaysian banks in Malaysia namely Maybank, CIMB Bank, RHB Bank, Public bank, AMBANK and Hong Leong Bank. The specific area of Kuala Lumpur was chosen as it is the metropolitan area in the heart of Malaysia. It is highly acclimatized with companies, corporations and other business entities. A range of year's period was used to examine the relationship between variables from 2011 to 2015 which is the closest to the year of this research. Thus, in that time the global financial crisis (GFC) happened in US market in the year of 2008 and effect the Malaysian economies and cause share prices fell suddenly. Nevertheless, Malaysia is recovered fast from the crisis on the next year and this driven this thesis chosen to investigate from the year 2011.

6. Data Analysis

SPSS version 22 software was used to conduct the inferential analysis of the statistical methods adopted to draw conclusion. Pearson's correlation and ANOVA analysis were conducted in this study.

6.1 Pearson Correlation

6.4.1 Relationship between bank's board size and its dividend yield policy

Correlations

		Bank board size	Banks dividend yield
Bank board size	Pearson Correlation	1	**0.692**
	Sig. (2-tailed)		0.128
	N	6	6
Bank dividend yield	Pearson Correlation	**0.692**	1
	Sig. (2-tailed)	0.128	
	N	6	6

*****Correlation is significant at the 0.05 level.***

__Table 1:__ Correlation between bank's board size and its dividend yield policy

The correlation between the two variables of the bank's board size and its dividend yield policy is a positive 0.692 as per Table 1 above. This moderate positive correlation coefficient value implies that there is substantial relationship between the company's board size and its dividend yield policy. Table 2 shows that sum of squares value is 7.042, residual value is 8.347 and the total of squares value is 15.389. The table shows the F value is 3.375 and the sig value is 0.14. The sig value 0.14 is higher than 0.0500 established for bank's board size and the bank's dividend yield and it is not significant.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.042	1	7.042	3.375	.140[b]
	Residual	8.347	4	2.087		
	Total	15.389	5			

a. Dependent Variable: Bank dividend yield
b. Predictors: (Constant), Bank board size

Table 2: *ANOVA*

4.2 Relationship between bank boards' independence and its dividend yield policy

Correlations

		Banks board independence	Banks dividend yield
Banks board independence	Pearson Correlation	1	**-0.803**
	Sig.(2-tailed)		.0054
	N	6	6
Banks dividend yield	Pearson Correlation	**-0.803**	1
	Sig.(2-tailed)	0.054	
	N	6	6

****Correlation is significant at the 0.05 level.**

Table 3: *Correlation between bank's board size and its dividend yield policy*

Table 3 illustrates the statistical significance of a correlation coefficient Person r indicating the relationship between the bank boards' independence and its dividend yield policy. The correlation between bank boards' independence and its dividend yield policy is -0.803. This result implies there is moderate negative relationship between bank board's independence and its dividend yield policy. The table 4 above shows the mean square of regression is 9.928 and the mean square of residual is 1.365. The table shows the F value is 7.273 and the sig value is 0.054. The sig value 0.054 is higher than 0.05 significance and it is not significant

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.928	1	9.928	7.273	.054[b]
	Residual	5.460	4	1.365		
	Total	15.389	5			

a. Dependent Variable: Banks dividend yield
b. Predictors: (Constant), Banks board independence

Table 4: *ANOVA*

Relationship between Bank's CEO Duality and its dividend policy

Correlations

		Banks dividend yield	Banks CEO duality
Banks dividend yield	Pearson Correlation	1	-0.522
	Sig. (2-tailed)		0.288
	N	6	6
Banks CEO duality	Pearson Correlation	-0.522	1
	Sig. (2-tailed)	0.288	
	N	6	6

Table 5: *Correlation between bank's CEO duality and its dividend yield policy*

As table 5 shows, the correlation between the two variables of the CEO duality size and the dividend yield policy is a negative and moderate value -0.522 with sig value 0.288. This implies there is a moderate negative relationship between the company's board size and its dividend yield policy. The table 5 shows that the F value is 1.50, the sig value is 0.288 which indicates that the value is higher than 0.05 and it is not significant.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.197	1	4.197	1.500	0.288[b]
	Residual	11.191	4	2.798		
	Total	15.389	5			

a. Dependent Variable: Banks dividend yield
b. Predictors: (Constant), Banks CEO duality

Table 5: *ANOVA*

7. Discussion of Findings

7.1 Board Size

Based on the results, there is a moderate positive relationship between the dividend yield and the board size. The results are consistent with many studies such as study of Subaramainam and Susela (2011), Mansourinia et. (2013), Uwingbe (2013), and Uwalomwa et al.(2015). This reseach is expected that board size will affect the dividend policy because of the large number of board size will tend to have high dividend yield because contribution toward the company will be m ore.Moreover, large board size means the board size manage the company sources effective and efficient because the different board directors have different knowledge and skills. Thus, the increase of board size will increase the dividend payout (Van Pelt,2013). Furthermore, according to Subramaniam and Susela (2011) a different cause of positive significant relationship among the board size and dividend payout is reliable. So, those companies that pat high dividend usually have high board size and it is normally owned by families therefore company distributes high dividend unto family board. Nevertheless, the results of this study is reliable with agency theory as the large size will increase the number of high knowledge, skills experience and expertise of board directors which help to decrease the agent relationship problem. Thus the directors will put more consideration on both company and shareholder wealth. Moreover, it is also reliable with stewardship theory whereby due to large board size the empowerment of manager through the directors will be effective and therefore the manager will be more responsible to maximize shareholder's wealth and improve the company performance. Finally, it can be proven that there is a positive relationship between board size and dividend policy in Malaysian bank.

7.2 Board Independence

The outcome of the study of the relationship between the company's dividend yield and the board independence elaborates that there is a negative relationship between them. This outcome is contradict to some previous studies such as studies Al-Shabibi and Ramesh (2011), and Sharma (2011). According to the above studies, the independent directors on board shelter the shareholders and make sure that their rights as independent directors are kept untouched which shall attempt to help in reducing the agency cost problems. Moreover, the result presents dissimilarity with stewardship theory in which a higher number of independent directors on board results in a higher efficiency of board which also results in a fair consideration of the company profit and the shareholders wealth. The result of the study presents that the board independence is negatively connected to dividend yield, and that as well shows the lack of role played by board independence in context of Malaysian banks to reduce the conflicts and problems of agency cost theory between shareholders and board directors.

7.3 CEO Duality

This particular study shows that the CEO duality and dividend yield have negative association which is also dissimilar to recent expectations. This negative result is accurate with the findings of Asamoah (2011) and Kyereboah-Coleman (2007). According to previous studies, the result presented that the CEO duality has undesirable influence on dividend yield due to poor performing capability of the CEO, specifically, when CEO is the head in board of directors. This will result is loss of internal control of the system effectiveness. Separating positions can empower the supervision of board of directors to company and lead to improve the company performance. (Chen et al., 2011). Additionally, the outcome of the study between dividend yield and CEO duality is different from studies like Mansourinia et al. (2013). These studies found no proof on dividend yield varying in CEO duality effectiveness since the board directors have effectively accomplished their role in controlling the management both internally and externally, which also makes the CEO duality unable to influence the dividend policy. Likewise, the agency theory states that if the CEO holds duality position, dividend payout will be lower. Nonetheless, this theory does not fully support since it shows insignificant relationship between dividend field and CEO duality. Also, Stewardship theory suggests that CEO that holds position as a chairman will have more effectiveness and efficiency to manage the company and serve the shareholders better. Finally, the result can be concluded as showing there is negative relationship between dividend payout policy as well as CEO duality in Malaysian banks.

8. Recommendation

This study suggests to the future researcher to increase the sample size of banks and financial institution by involving the unbalance panel. Unbalanced panel is involving the banks and the financial institution that is not listed in the public listed in Bursa Malaysia and do not have sufficient annual report. Thus, it will boost up the number of banks. Using unbalance panel data has some advantages where the effect of absent variables will be controlled and producing more correct forecasts for the outcome. Moreover, the study proposes to the further research to use the same period time of the financial statement in the annual report which can be done by collecting of annual reports of the banks. Hence, it will make the research more perfect and efficient to be considered by other prospect researcher in the same field. Furthermore, future researcher should include CEO educational variable since another researcher found that CEO education have positive relationship with dividend payout. They may also include the CEO marital status since CEOs whom they married and have children tend to sustain a high dividend and like to increase the dividend payout to shareholder.

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