

## **Determinants of Dividend Policies in Shariah Compliant and Non-Shariah Compliant Firms: A Panel Quantile Approach**

### **ABSTRACT**

Research Questions: Do Shariah-compliant firms have a different dividend policy from non-Shariah-compliant firms? Does this policy reflect similarity at different quantile levels of dividend? Motivation: The purpose of this paper is to investigate whether Shariah-compliant firms have different determinants than non-Shariah-compliant firms, using the linear and panel quantile methods. Idea: The different selection criteria between Shariah-compliant and non-Shariah-compliant firms may contribute to a different dividend policy. Data: Data collected via DataStream and the Securities and Exchange Commission within the top 200 based on market capitalisation in 2019 for the period from 2010 to 2019. Method/ Tools: To test the hypothesis, the study used pooled OLS, random and fixed effects. To determine the most appropriate model, we use the Breusch-Pagan-Lagrange multiplier test (LM) and the Hausman test. To further investigate the difference between the dividend policy of Shariah-compliant and non-Shariah-compliant firms, the study also uses the quantile approach to examine the determinants of dividend at different quantile levels. Findings: The study not only reveals differences in the dividend policies of Shariah-compliant and non-Shariah-compliant firms in the linear approach, but also in the quantile approach. In a linear regression approach, firm size, growth opportunities, profitability, and free cash flow were found to be significant determinants of dividends for Shariah-compliant firms. On the other hand, firm size, growth opportunities, profitability, and risk were found to be significant determinants of dividends of non-Shariah-compliant firms. In the panel quantile approach, all tested variables (except at 0.50 quantile for non-Shariah compliant companies) were found to be significant determinants of dividend for both Shariah and non-Shariah compliant firms. The finding implies that the result of the linear approach may overgeneralize to different quantiles, so a comparison using a different approach may provide more insight into these determinants. Contributions: The study contributes to the existing knowledge on the determinants of dividend policy of Shariah-compliant and non-Shariah-compliant firms, especially by comparing it with the linear and quantile approaches, which has been neglected in previous studies.