ABSTRACTS

1. DETERMINANTS OF CAPITAL FLIGHT IN MALAYSIA

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ABSTRACT

This study was intended to investigate factors affecting capital flight in Malaysia. The study used time series data from first quarter 1991 through fourth quarter 2008 and the data were tested using the Augmented Dickey-Fuller unit root test, Johansen-Juselius cointegration test, and vector error-correction modeling. Empirical findings indicated a stable long-run relationship between the variables under study. Foreign direct investment and the stock market were found to have a positive impact on capital flight, whereas real gross domestic product (GDP), budget deficit, and interest rate were negatively related to capital flight. In addition, real GDP, interest rate, and budget deficit can Granger cause capital flight in the short-run.

Keywords: *Capital flight, Economic growth, VECM*

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2. THE BEHAVIOUR OF BOOM-PERIOD DIVIDENDS OF NYSE-LISTED BANKS WITHIN AN OPTIMAL CONTROL THEORY FRAMEWORK

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ABSTRACT

This study examines the impact of the different control planning horizons in determining boom-period dividend pattern, secondly, the factors that govern the control-theoretic boom-period dividend patterns are established and finally the factors that are associated with out-performers of the control theory framework are identified. The empirical results indicate that the long planning horizon model tends to be a good predictor of observed boom-period dividends, suggesting that the boom-period dividend decision is not constrained by short or medium term predicted liquid asset levels. NYSE banks with control-theoretic boom-period dividend patterns were associated with the smaller banks, which perform financially well and display a strong share price record, as indicated by the high Tobin's Q ratio, strong dividend yield, a greater return on capital invested, higher leverage, and a smaller number of employees. The NYSE banks with observed boom-period dividends that out-perform the control theory are associated with banks that have higher profits, as indicated by the higher return on equity, and an implied expanding customer base, as suggested by the higher revenue growth rate. Out-performing banks also have higher dividend yields, constrained by an implied internally imposed conservative retention policy, as indicated by lower payout ratios and they tend to be smaller in size.

Keywords: optimal control theory, dividend policy, dividend behaviour, payout ratio, NYSE, baking
JEL: G21, G31, G32, G35
