



**UNIVERSITI TEKNOLOGI MARA**

**THE FACTORS AFFECTING DIVIDEND POLICY  
IN MALAYSIA**

**ANNUR AKMAL BINTI MOHD HAZEDI**

Final Year Project submitted in partial fulfillment  
of the requirements for the degree of  
Bachelor of Business and Administration (Hons.)  
(Investment Management)

**Faculty of Business and Management**

**February 2022**

## **ABSTRACT**

A dividend policy is known to be a plan that carries out crucial roles in dividing the dividend given to the shareholders of companies based on the size and pattern of cash. This policy brings out the confidence of a company to share their expected dividend benchmark. With that, dividend declarations that were made actually helped the listed companies to improve their financial performance so that the dividend pay-out could meet shareholders' expectations. There are multiple types of dividend policies, such as stable dividend policies, regular dividend policies, irregular dividend policies, and no dividend policies. Apart from that, it is a crucial issue that is debated in the financial field. Dividend payments by companies are the most anticipated additional earnings received by shareholders because these people prefer cash, additional information regarding firms' future prospects, firm life cycle and more. Therefore, this study is essential because it would expand previous study research on the factors that affect dividend policy in our country, such as profitability, investment opportunities, leverage, and inflation, to determine whether they have any significant relationship and identify which aspect contributes the most to the dividend payment. Secondary data will be taken from ten companies in a span of 10 years from 2011 to 2020.

**Keywords:** Malaysia, Developing Country, Dividend Policy, Profitability, Investment Opportunities, Leverage, Inflation

## **ACKNOWLEDGEMENT**

In the process of completing this study, there are many ups and downs that happened to be supported by many people. Firstly, it would not be possible if Puan Nor Hadaliza did not take her time and passion to guide, remind, negotiating and corrects the students. As a student, her role really helps improvise the study in every aspect. It is very important to learn from our mistakes and listened to someone with wider knowledge. Therefore, I appreciate the active support system that she gave.

Secondly, I am grateful to have both of my parents and friends to give me emotional support during this study. I learn that cooperation and encouragement are very important to finish something until the last drop. It helps someone remove 'giving up' in their dictionary. Moreover, these people do their best on supporting directly and indirectly. I appreciate their existence.

Lastly, I would like to thank all of the researchers that have been sharing and continuing the study they have done. Their research paper became one of the main reason on to why I am eager to understand dividend policy of companies in Malaysia. Additionally, they also concomitantly teach others way to write, analyse and refine the study conducted.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 INTRODUCTION

Stock exchange is one of the main platform that were used by investors. Even though it was first introduced in 1460 at Belgium, the platform is still used and relevant until now. There were 60 main stock exchange platforms accessible in 2016 according to the figure obtained from (Desjardins, 2016). It includes Bursa Malaysia Berhad (BMB). In Malaysia, the stock exchange was first established in 1964. Before it was named BMB in 2004, it was known as the Stock Exchange of Malaysia and Singapore.

However, the main intention for this platform to exist is to provide shareholders and companies a place to trade securities. One of the securities are stock. Stock is a securities and part of the company ownership that will be given to the shareholders once they do a buying transaction. The price of stocks varies from one company to another which means that investors could create their investment portfolio depending on its risk appetite. Besides that, the main intention shareholders buy or hold company's stock is to obtain profits and dividend payment. Every company in general have different dividend payment. Dividend became one of the attractions that every stakeholder looked up to because it could be considered as a bonus. Therefore, before dividends are being paid, the dividend distribution is determined by the company's policy. It is a complex decision making since it influences both dividends pay-out and new projects to be invested in the future (Hashemijoo, Mahdavi Ardekani & Younesi, 2012). Thus, with the complexity it results in a "*dividend puzzle*".

These puzzle focuses on whether companies really obligated to pay dividends to their shareholders and it became more complicated to identify when it comes to emerging markets (Al-Najjar & Kilincarslan, 2018). According to Chay and Suh (2009) and Lotto (2020), "*dividend puzzle*" will be different for countries based on its development status. It occurs when there are multiple kinds of environment, regulations, and interest involved. With that, this study will investigate how developing country adapt with the situation. Malaysia is known as a developing country based on World