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DIVIDEND PAYOUT RATIO: STUDY CASE OF CONSUMER SECTOR – FOOD & BEVERAGES

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ABSTRACT

Dividend is a payment or profit paid by the companies to their shareholders as a symbol of appreciation. The dividend paid out of the profit made by the companies on that particular financial year. The payment is not necessary and depends on the company decisions either to pay or not. While the dividend payout ratio is a portion of a company's net income to the total amount paid out to shareholders. It is the percentage of profits distributed to shareholders in the form of dividends. The balance will be retained by the company either to reinvest or paid off the debts. The ratio alone cannot determine a company's health, but it can provide insight into how the company prioritises future growth investment. This study aims to find out what is the relationship between the independent variables with the dividend payout ratio of consumer sector - food & beverages.

Keywords: Consumer Sector, Food & Beverages, Return on Asset, Current Ratio, Firm Size.

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CHAPTER ONE
INTRODUCTION

Chapter one is all about the overview of the study. The researcher would like to describe and discuss further on the purpose of this research. This chapter will also discuss and summarise the objectives in detail. Not only that, but the research topic is also described in main and specific term to ensure that the researcher stays on track and fulfils the study's objectives. This study also covers the scope of study, the limitation and significance of the study.

1.1 INTRODUCTION

A dividend is a payment or profit made by a company to its shareholders as a token of its gratitude. The profit earned by the companies during that financial year is used to pay the dividend. The payment is optional and is contingent on the company's decision either to pay or not. The dividend payout ratio is a percentage of a company's net income divided by the total amount distributed to shareholders. It is the percentage of profits allocated as dividends to shareholders. The remaining funds will be kept by the company, either to reinvest or to pay off the obligations.

The dividend payout ratio is calculated using several factors. The most important of which, is the company's maturity level. A fresh, growth-oriented company with plans to expand, develop new products and enter new markets would be expected to reinvest most of its earnings and could be forgiven for having a low or even zero payout ratio. The companies that do not pay dividends have a payout ratio of 0%, whereas companies that payout all their net income as dividends have a pay-out ratio of 100%. The payout itself can be used to determine the long-term viability of a dividend. Companies are advised not to reduce the dividend payment since it could lower the stock price and reflect adversely on management's performance. The payout ratio's long-term changes are also important. A consistently rising ratio may suggest a strong and growing business. An abnormally high dividend payout ratio may signal the