



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF DIVIDEND POLICY:
BURSA MALAYSIA'S FIRM**

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Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Investment Management)

Bachelor of Business Administration (Hons) Investment management

JULY 2021

ABSTRACT

This paper investigates the factors influencing the dividend policy of the Bursa Malaysia among 292 firms. The dividend policy framework involves influences from equity, sales, and leverage. In this report, four factors should be prioritized: liquidity, profitability, sales growth, and debt. The aim of this investigation was to examine the relationships between any aspect and the explanatory variable, namely the dividend payout ratio, in order to determine the dividend policy. Dividend policy is an important subject in corporate finance because of its significant impact on expenditure and funding decisions. Furthermore, individuals or investors would be more appreciative of this study because they would gain more information about which firm is more important to invest in. This study selected 292 companies from the Bursa Malaysia, including five years of annual report results, for a total assessment of 1460. According to the findings of this report, only business financial leverage and liquidity, plays a negative role in deciding dividend policy, while profitability and growth play a positive role in shaping the company's dividend policy. Limitation is always a part in any research paper.

ACKNOWLEDGEMENT

First and foremost, Alhamdulillah praises Allah, as All, for rewarding us with His blessing, bodily and mental strength, and incredible perseverance in my pursuit of this subject. It would be difficult for me to finish it on time without His help.

Next, I'd also like to thank everyone who took part, and I presented this research study with enough time to complete it. Furthermore, I thank Dr Fatin Farazh Binti Ya'acob, my research instructor, for her kind assistance in the preparation of this research paper, for all her encouragement, gentle supervision, and for providing the necessary information at any time possible.

I'd also like to thank all of my colleagues and friends who helped me finish my study for their patience and encouragement. The thoughts, comments, and points of view provided considerably enriched this research paper.

Finally, I'd want to offer my heartfelt gratitude to my family members, who have always shown me unending love and support. My thanks and gratitude also go to the people who voluntarily assisted me in completing this research.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

An overview of this research will be given in this chapter. The research background will be discussed in section 1.2, and then the problem statement in section 1.3 will follow. The research questions and research goals will be presented respectively in Section 1.4 and Section 1.5. The meaning of the study will be formulated and continued in Section 1.6 by explaining the scope of the study in Section 1.7. Then, limitation of study and definition of key terms in section 1.8 and 1.9 this chapter will end with the summary in section 1.10

1.2 Research Background

Dividend is a portion of a company's income paid to shareholders, as well as the return on investment received from shareholders. The company's management is required to use revenues to please its different creditors, but stock owners are given first priority since they bear the most risk in the company. The main concern for investor regarding this dividend is, for one, it demonstrates the company's willingness to carry out monthly dividends or cash returns, which goes a long way in demonstrating the company's underlying strength and profitability to customers. Following that, mature, slower-growing companies tend to pay frequent dividends, while younger, faster-growing companies choose to reinvest the money in development. Finally, the dividend yield tests how much revenue has been earned in relation to the share price; a higher yield is more appealing, while a lower yield will make a stock seem less competitive in comparison to the market.

The structure of dividend policy including equity, revenue and leverage has several influences. The most considerable is liquidity, profitability, growth in revenue and overall debt. With the above in mind, the research objective of this paper is to investigate the strength between liquidity, profitability, financial leverage and growth against the explanatory variable that is use the dividend payout ratio to determine the