



اُنْبُورْسِيْتِي تِكْنُولُوجِي مَارَا

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**FACULTY OF BUSINESS ADMINISTRATION
BACHELOR OF BUSINESS ADMINISTRATION (HONS)
FINANCE**

**DETERMINANTS OF DIVIDEND PAYOUT:
A STUDY ON MALAYSIAN COMPANIES**

**NORHAFILA NORASHIKIN
2005653573**

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The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi MARA
18500 Machang
Kelantan

Dear Sir

SUBMISSION OF FINANCE PROJECT PAPER (FIN 660)

Attached is the Project Paper entitled “Determinants of Dividend Payout: A Study on Malaysian Companies” to fulfill the requirements as needed by the Faculty of Business Management, Universiti Teknologi Mara.

Thank you.

Yours Faithfully

NORHAFILA BINTI NORASHIKIN
2005653573
Bachelor of Business Administration (Hons) Finance

ABSTRACT

This study investigates on the determinants of dividend payout on Malaysian companies. Specifically, the sample for this study is 40 selected companies from 100 KLCI components. The estimation period for this study is from 2000 to 2005. In this study, the dividend payout is considered as the dependent variable while the independent variables are investment opportunities, leverage and size of firm. In measuring the relationship, Multiple Regression Model is used for this study. Based on the findings, there is no significant relationship between dividend payout with investment opportunities, leverage and size of firm.

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1. INTRODUCTION

This chapter provides the background and the rationale for the study. In year 2004, Rating agency Standard & Poor (S&P) estimated the Kuala Lumpur Stock Exchange Composite Index (KLCI) to rise by more than 10% and stated that Malaysian markets offer good values with many dividend-paying stocks (Source: Business Times, 2004).

In addition, as reported in The Star dated 25 July 2006, Malaysia's dividend was among the highest and the most reliable in Asia and payouts to shareholders in Malaysia have climbed faster than stock prices for the past four years. Besides, the dividend yield on the KLCI was 2.74% in December 2002 when a rally began that took stocks 50% higher.

This has created interest in the researcher to conduct a study on dividend payout. It has also raised to a question on what are the factors that determine dividend payout on Malaysian companies.

This paper studies the relationship between dividend payout with the factors that influence it such as investment opportunities, leverage and size of firm. It covers only KLCI components because it provides a performance benchmark for the Malaysian equity market and reflects the performance of listed companies that represent the major sector as in the Malaysian economy.

The rest of the paper is organized as follows: Chapter 2 presents the literature review from the previous research; Chapter 3 is where all the methodologies are applied. In Chapter 4, the findings and analysis gathered are explained. Finally, Chapter 5 is on the conclusion and recommendation.