UNIVERSITI TEKNOLOGI MARA

THE EFFECTS OF FIRM'S CHARACTERISTICS TOWARDS DIVIDEND PAYOUT POLICY: MALAYSIA DIVIDEND STOCKS

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i

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA Johor. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergaduate, Universiti Teknologi MARA Johor, regulating the conduct of my study and research.

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ii

ABSTRACT

The main reason for investment is return. Investment in stock gives investors capital gain from stock price increment and also dividend. Thus, it is important for companies to declare dividend. However, in Malaysia stock market, about only half of listed companies in Bursa Malaysia that declare dividend. There is also a report on a company with high cash flow but pay a small dividend. Thus, study on dividend payout policy is vital in order to guide investors in making investment and estimating return that they will receive. This study aims to determine the effects of firm's characteristic towards dividend payout policy. Hence, the dependent variable is dividend payout policy. Meanwhile, independent variables are firm's characteristics which are represented by earning, investment opportunity, leverage and efficiency. Both dependent and independent variables are signified by dividend payout ratio, return on equity, market to book value, debt ratio and total asset turnover. This study use panel data encompass 50 listed companies and three years period from 2014 until 2016. The sample was sourced from Malaysia Stock Biz. Furthermore, financial statements and ratios from Bursa Malaysia and Thomson Reuters are employed in collecting data. The data then are run by using EViews. Descriptive analysis, regression analysis and tests on assumption are used to determine the effect accurately. Based on the result of this finding, it is found that only investment opportunity that has significant relationship with the dependent variable. Investment opportunity affects dividend payout policy with positive relationship. Meanwhile, earning, leverage and efficiency do not affect dividend payout policy.

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TABLE OF CONTENT