



UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF DIVIDEND
POLICY ON STOCK PRICE
VOLATILITY
EVIDENCE FROM: MALAYSIA
SHARIAH COMPLIANT
SECURITIES**

NUR AFIFAH BINTI YAZID

Dissertation submitted in partial fulfillment
of the requirements for the degree of
**Bachelor of Business Management
(Investment Management)**

Faculty of Business and Management

December 2018

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. 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 Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

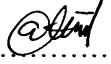
Name of Student : Nur Afifah binti Yazid

Student I.D. No. : 2016326613

Programme : Bachelor of Business and Administration (Hons)
Investment Management

Faculty : Business and Management

Thesis Title : The Impact of Dividend Policy on Stock Price
Volatility in Malaysia Shariah Compliant Securities

Signature of Student : 

Date : December 2018

ABSTRACT

This research paper generally aims to examine the impact of dividend policy on stock price volatility in Malaysian Shariah-compliant securities. The impact of dividend policy on stock price volatility represents by dividend yield and dividend pay-out ratio while firm's growth, size, debt and earnings volatility will serve as control variables in this study. Furthermore, this study employed secondary data that will be collected from Thomson Reuters Data Stream. A sample of 794 Shariah-compliant companies that was listed on Bursa Malaysia will be used as sample size from year 2008 until 2010. This study used panel data since it's comprised of time series and cross-sectional data. To analyse the data, multiple regression model and E-views will be used in this study. This research study finds that dividend policy has negative and significant impact on stock price volatility. This suggest that an increase in dividend policy especially dividend pay-out ratio will reduce stock price volatility. Meanwhile, control variables such as firm's size and leverage has influences on stock price volatility while earnings volatility and firm's growth signal insignificant relationship towards stock price volatility. In summary, management and policy maker should increase their dividend payment to reduce price volatility. **Keywords:** Dividend policy, Share price volatility, Panel data

ACKNOWLEDGEMENT

I am indebted to all those who have helped me during my studies and writing this research paper.

My greatest gratitude goes to my research supervisor, Dr Norashikin Ismail for her valuable experience, guidance, patience and commitment to reply queries promptly throughout this research work.

I would like to extend my sincere thanks to my family, lecturers and friends for their encouragement and patience during this period.

My appreciation goes to the UiTM Segamat and staff who provided facilities and assistance during the research.

Finally, I thank the Almighty God whose immeasurable grace has helped me during my studies.

TABLE OFCONTENT

	Page
AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OFCONTENT	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE INTRODUCTION	1
1.0 Introduction	1
1.1 Research Background	1
1.2 Problem Statement	4
1.3 Research Questions	5
1.4 Research Objectives	5
1.5 Significance of Study	6
1.6 Scope of Study	6
1.7 Limitation of Study	7
1.8 Definition of Terms	7
1.9 Summary	8
CHAPTER TWO LITERATURE REVIEW	9
2.0 Introduction	9
2.1 A Brief Literature Review	9
2.2 Dividend Pay-Out Ratio and Stock Price Volatility	10
2.4 Size and Stock Price Volatility	14
2.5 Growth and Stock Price Volatility	15
2.6 Leverage and Stock Price Volatility	15
2.7 Earnings Management and Stock Price Volatility	16
2.8 Theoretical Framework	17