



A PANEL DATA ANALYSIS: AN ASSESSMENT OF DIVIDEND  
POLICY AND MALAYSIAN STOCK MARKET PRICES

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JUNE 2015

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## ABSTRACT

There's a lot debating about dividend policy and stock policy. Dividend policy is the set of guidelines a company uses to decide how much of its earnings it will pay out to shareholders. Miller and Modigliani (1961) suggests that investors are not concerned with a company's dividend policy since they can sell a portion of their portfolio of equities if they want cash. This evidence is called the "*Dividend Irrelevance Theory*," and it essentially indicates that an issuance of dividends should have little to no impact on market price. On the other side, Gordon (1963) suggests that there are investors that is concerned about the company's dividend policy. This is called as the "*Dividend Relevance Theory*" which explain that the issuance of dividends have significant impact on market price. This paper will examine whether the Dividend can influence Market Price by considering four controlling the variable likes Earnings per Share, Return on Equity and Retention Ratio. A sample of 30 companies listed in Bursa Malaysia is taken from period of 2004 to 2013. Fixed, Random effects and Pooled OLS has been applied on panel data to found the relation of Dividend towards Market Price. Result found that only Earnings per Share has significant positive relation towards the Market Price.



## ACKNOWLEDGEMENT

Alhamdulillah, it is a genuine pleasure to express my deep sense of thanks and gratitude to Allah the Almighty for blessing me with all strengths and knowledge granted on me upon putting up everything in this single paper. There are many people who I would like to express my gratitude for support me all the way in the process of making this study and to completing my Bachelor of Business Administration (Hons.) Finance in time.

First and foremost, I would like to thank my advisor, Associate Professor Dr. Imbarine Bujang, who has the attitude and the substance of a genius: he continually and convincingly conveyed a spirit of adventure in regard to research and an excitement in regard to teaching. Without his guidance and persistent help this study would not have been possible. Also, I would like to thank Madam Rapheedah Musneh for giving her recommendations to improve this study.

In addition, I owe a deep sense of gratitude to my best friends who act as like my brothers whom through high and low and always be there for me whenever I am facing obstacles throughout the making of this study. Thank you to my "Boboi": Fauze, Mursidi, Nurizzat, Subadron, Amirul Sharil, Za'im, Farouk and Alif for being the best motivation and fighting spirit upon completing this study.

The most importantly, my family. Without them I can't imagine how I am going to finish this study. From the bottom of my heart, I would like express my gratitude towards my mother, Dayang Irene Mohamad and my father, Abraham@Ebrahim Bin Ajah@Ajak for helping me survive all the stress from this semester and not letting me give up. Thank you also to my sibling and others family members for giving me unconditional love throughout my life. To Siti Noorsyafiqah Sirat, I am extremely grateful for always listening and giving me words of encouragement and supporting me both on and off the water.