



**A STUDY ON THE EFFECTS OF
DIVIDEND POLICY ON STOCK PRICE IN
MALAYSIA'S CONSUMER SECTOR**

**NORHIDAYAH BINTI MOHD ARIS
2014713993**

**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration (Hons)
Investment Management**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

DECEMBER 2016

ACKNOWLEDGEMENT

All praises and thanks to Allah (S.W.T), who has guided us to this, never could we have found guidance, were it not that Allah had guided us! (Q7:43)

Alhamdulillah, first of all I would like to express my gratitude to Almighty for blessing me with strength and courage to complete this report. From the beginning till the end of this report, I have so many people who stand by me, given me guidance for every obstacle that in my way. Therefore, I would like to express my deepest appreciation to those involved in this report. Not forget to my respectful advisor, Prof Madya Noor Izah Binti Ismail for the patience, humble supervision and advice that I received from her in the course of this project. Besides that, thanks for all valuable time and guidance that had been given to me to complete this project.

I would like to thank Prof Madya Shukri Bin Shamsuddin, Sir Syamsyul Bin Samsudin and Miss Nurulashikin Binti Romli who shared their valuable experience, time and commitment. Last but not least, I would like to express my appreciation to my parents for be my financial supporter and always give me spirit and advice in completing my research. Not forget to all my friends who shared ideas to make my report better I hope we can have a good grade for our effort. For those whom not stated here, I really to thank for their helping, friendship and countless support me. May Allah S.W.T bless all of them for their support and kindness.

ABSTRACT

Dividend policy is the set of procedures a company uses to decide how much of its earnings it will pay out to shareholders. This research will be made to investigate whether there is a significant relationship between dividend policy and stock price. This study will be conducted on 135 public listed companies from the consumer sector that selected from Bursa Malaysia. There are many internal and external factors that affect stock price. Hence, this research to analyze whether dividend policy decision give an effect on stock price in consumer sector. The dependent variable use in this research is market price while the independent variable which is dividend yield, earning per share, net income, return on equity and return on asset. The objective of this study is identifying the relationship between stock price and the dividend policy of the consumer sector. Other than that, investigate the factor effect in stock price of the consumer sector. While it also to measure the impact of the consumer dividend policy on its stock price. The sample of the research is 43 companies from 135 consumer product companies listed in Bursa Malaysia. The period of this study start from year 2006 to 2015. The collected data for this study is secondary data such as journal, articles and electronic sources. The data collected from database which is Osiris Uitm Segamat library and Internet. This research use panel data analysis by using the Stata Method. The result from this study show that the Fixed Effect Model. Hausman Test are used to identify either, the result fixed or random effect model. The final result show that earning per share, return on asset and return on equity have significant with 5% level of significant. Earning per share and return on asset have positive relationship with market price in Malaysia. In the recommendation on this research, getting accurate data, select more independent variable and widen the scope of study will help in the future research.

TABLE OF CONTENTS

TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENT	vi
LIST OF TABLE	x
LIST OF DIAGRAM	xi
CHAPTER 1: INTRODUCTION	
1.0 Introduction	1
1.1 Background of Study	2
1.2 Problem Statement	4
1.3 Research Objective	6
1.4 Research Question	6
1.5 Significant of Study	7
1.5.1 Investors	7
1.5.2 Company	7
1.5.3 Country	8
1.5.4 Future Research	8
1.5.5 Related Students	9
1.6 Scope of Study	9
1.7 Time Horizon	12
1.8 Limitation of Study	12
1.8.1 Limitation of Scope	12
1.8.2 Limitation of available data	13
	vi

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter will discuss about the background of the study, problem statement, research question, research objective, research questions, significance and scope of the study. This paper focuses on the effects of dividend policy on stock price in Malaysia consumer sector. The dependent and independent variables will be discussed in the background of the study. The dependent variables for this research are market price while the independent variables are Dividend Yields, Net Income, Earning Per Share, Return on Equity and Return on Asset. This study will fill the investigation on duration that has been selected in ranging from the year 2006 until 2015 annually. The company selected under consumer sector that listed in Bursa Malaysia is 43 companies.

There are two types of research questions which are main research questions and specific research questions and those are related to the theoretical framework in my research. The main research questions are very important in completing the research and it is strongly related to the independent variable while specific research question is the question that supports the main research questions. In addition, research objective is also one of the important elements as it will lead us throughout the entire journey of completing the research. Not only that, this chapter will also provide crucial and useful information to all parties such as the researcher, future researcher and to those who read the research paper.

Generally, dividend policy refers to distribute the cash to shareholder of the company. It also able to help in improves financing sources to the investors, managers, lenders and for shareholders. For investor, dividend policy not only sources of profit but one of the ways to make investment in the future. It is the way how investor view the company either able to generate cash or not. Based on the results, investor can be concluded that whether company perform in the market and generate more profit to distribute the dividend. The important thing in dividend policy is make decision in select a suitable dividend policy because is one way to make investment in the future. If the company under consumer sector distributed a higher amount of dividend it shows that