



THE IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS' WEALTH: EVIDENCE  
ON MALAYSIA'S PLANTATION LISTED COMPANIES PERFORMANCE

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## **ABSTRACT OF THE TOPIC**

Dividend policy is one of the most controversial subjects in finance and dividend is always unpredictable in the residual policy due to the dividend is keeping growing followed by years. There is no consensus among researchers about the impact of dividend policy on share price.

The objective of this research paper is to determine the impact of dividend policy on shareholders' wealth in Malaysia's food producer sector which is Malaysian plantation companies.

By taking five independent variables (dividend pay-out ratio, earning volatility, growth in assets, liquidity and profitability) and companies performance as dependent variable which represented by the earnings per share.

This research paper is aimed at analyzing Factors That Affecting Dividend policy On Companies Performance which focuses on Malaysian plantation sector. For this purpose, a sample of 8 companies from Malaysian plantation companies listed in main market Bursa Malaysia was selected. This research paper is applying multiple regressions for a period of 6 years from 2008 – 2013 Thus, the total number of observations is 46 after doing some changes. In this research, the data was collected in term of secondary data which taken from the sources of Thomson Reuters DataStream.

In this research, panel data are used. Panel data is the method with the combination of cross-sectional data and time series data. There are 44 companies in Malaysia's listed in plantation sector. However, the total of 8 was companies chosen in this research due to the not available data or information as well as there are no dividend pay-out s between the research periods which are between years 2008 to year 2013.

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## **Chapter 1: Introduction**

In an ever-increasing Malaysian economy, globalization, liberalization and privatization together with rapid strides made by information technology, have brought intense competition in every field of activity. So, Malaysian companies at present are dazed, confused, and apprehensive. To maintain the competitiveness of, and add value to the companies, today's finance managers have to make critical business and financial decisions which will lead to long-run perspective with the objective of maximizing the shareholders' wealth. Shareholders' wealth is represented in the market price of the company's common stock, which, in turn, is the function of the company's investment, financing and dividend decision. Managements' primary goal is shareholders' wealth maximization, which translates into maximizing the value of the company as measured by the price of the company's common stock. Shareholders like cash dividends, but they also like the growth in EPS that results from earning back into the business. The optimal dividend policy is the one that maximizes the company's stock price which leads to maximization of shareholders' wealth and thereby ensures more rapid economic growth. The present study is intended to study how far the dividend pay-out has impact on shareholders' wealth in general and in particular to study the relationship between the shareholders' wealth and the dividend pay-out and to analyse whether the level of dividend pay-out affects the wealth of the shareholders.

### **1.1 Overview / Background of study**

#### **1.1.1 Dividend Pay-out Policy**

Dividend policy has been kept as the top ten puzzles in finance Al-shubiri (2012) . Dividend is stated as given of earnings or profit to shareholders as a return for investing. In other hands, dividend is to be shared between the shareholders of recognized Al-khadhiri & Alzomaia ( 2013).

Dividend policy was first found by Lintner (1967). He research 28 Industrial firms and found that dividend is sticky and management treat dividend pay-out policy as company's long term