



**UNIVERSITI TEKNOLOGI MARA**

**AN EMPIRICAL ANALYSIS OF DIVIDEND  
PAYOUT: EVIDENCE FROM PLANTATION  
COMPANIES LISTED IN BURSA MALAYSIA**

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## ABSTRACT

If company earned profits the management is either paying out dividends or retained the profits. The objective of this present study is to empirically investigate which factors that significantly influence company's dividend payout in the case of Malaysia's plantations sector. To further investigate what factors determine the dividend payout decision, five main factors that have been considered throughout this study which are profitability, liquidity, leverage, firm size and sales growth. Twenty three plantations company that listed in Kuala Lumpur Stock Exchange has taken into account with the 8 years period of study from 2008 until 2015. The total observations included in this research sample is 184. Pooled regression analysis used to determine the sign of coefficient and define whether independent variables are statically significant towards dividend payout or vice versa. Test on assumptions that have been carried out was normality test, where the probability value of Jarque-bera quantify the normality of error term. Each independent variables are proxied by return on equity (profitability), current ratio (liquidity), debt to equity ratio (leverage), logarithm of total asset (size) and growth of sales (growth). By employing the econometrics and statistical test, it found out that liquidity, leverage and firm size are the most significant factors in determining the company's dividend payout decision in the case of Malaysia's plantations sector. Meanwhile profitability and sales growth revealed to be insignificant to dividend payout behavior.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

Research on Empirical Analysis of Dividend payout evidence from Malaysia's Plantation Companies listed in Bursa Malaysia carried out practically to enhance and develop a body of knowledge on what factors contributing to firm's dividend payout behavior. This chapter discussed on the overview of dividend itself which based on the preceding studies and academicians' theories. Dividend paying method that categorized into three main approaches are also discussed under this section. Problem of statement debated on some theories arise prior to the issue. Research questions, research objectives, significance of study and limitations of study explain under this section.

### **1.2 OVERVIEW OF DIVIDEND**

Dividend is one of the simplest ways to determine company's steady financial position. Through paying out dividend, it communicates on behalf of the company on how well the company manage its financial. However, some of the company do not pay dividend, this is due to reason that they are still in a growing path. Usually the growth companies will focus more on reinvesting its earnings for further expansion.

Therefore, for companies that chose to pay out dividends instead of retained it for reinvestment, companies must obey the policy created. Dividend policy is a guidelines use by companies or large firms to make decision regarding to the return distribution that will be pay out to the shareholders in form of dividends. As simple as a return that shareholder will gain from the company's profit earnings.

Dividends defined as an income to investors or shareholders, therefore company plays important role in paying out dividend as an appreciation because most