



UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF DIVIDEND
POLICY ON SHAREHOLDERS'
WEALTH: EVIDENCE FROM
LISTED CONSTRUCTION
COMPANIES IN MALAYSIA**

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Thesis submitted in fulfillment of
the requirement for the degree of
**Bachelor of Business
Administration (Hons)
(Finance)**

Faculty of Business and Management

July 2017

ABSTRACT

Over the years, dividend policy is one of the controversy subjects in finance. Dividend is always changeable in firm's policy due to the increasing dividend every year. The impact of dividend policy on shareholder's wealth is essential for planning portfolio specifically for the management plus the investors. Some researcher believes that the dividend policy will not give effect to shareholder's wealth and some other researcher believes that the dividend policy will give effect to shareholder's wealth. The main objective of this research is to investigate the impact of dividend policy on shareholder wealth. The secondary data is use in this research. The data is obtained from Thomson DataStream. The dependent data is earning per share and the independent data are dividend payout ratio, profitability (ROE), earning volatility, growth in assets and long term debt ratio. The data are collected from 2015 to 2006 from 10 companies that have been listed in bursa Malaysia.

ACKNOWLEDGEMENT

First, I would like to thank Allah SWT for the guidance, strength and blessing from Him, in completing this dissertation, this work could have never been achieved without His guidance and blessing.

It is a pleasure to acknowledge the considerable debt of gratitude which I owe to my main advisor, Encik Kharudin Mohd Sali @ Salleh (Hj) and co-advisor Cik Maizura binti Mohd Isa for their high patience in guiding me in order for me to complete my thesis for this semester. Not only that, I would also like to thank them for their comments, wise advice and uncountable amount of knowledge towards this thesis that for sure will help me to see the real world and prepare me for the future.

Furthermore, I am so grateful towards my helpful and lovely friends that are always there to help me in sharing of opinions and even give their comments in order for me to improve and achieve success together.

Lastly, I would also like to thank my family for their support in giving me motivation and advices unconditionally in order for me to complete this thesis. Apart from that, I would like to thank them in terms of financial help for my education in order for me to feel comfortable while studying.

To be honest, without all of these people that without fail always help me in so many ways, this thesis would not be completed and materialized.

Thank you very much, may Allah bless you all.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

In this research study, it will be divided into five chapters. This chapter will explain about the background of the study and the problem statement that contributes to this study. Besides that, this chapter will also explain the objective, research questions, scope of the study, significance of the study and limitation of the study.

1.2 BACKGROUND OF STUDY

1.2.1 Dividend Policy

Since the first days of the development of the concept of the corporate finance, the decision for dividend payment has become issue. The role of agency cost, taxation and cost of transaction etc. on the decision of dividend keep become the attraction to the researchers (Issa, 2015). Dividend is the payment made to the shareholders from the firm's earnings. Dividend usually paid in cash, but sometimes it also paid in stock or others. Gejalakshmi and Azhagaiah (2015) stated that the dividend policy have become one of the important decision in the financial management. Dividend policy is the rules that the firms uses to distribute the dividends to the shareholders. The development of such a policy will be greatly influenced by investment opportunities available for the firm and the value of dividends as against capital gains to the shareholder.

John Litner has discovered the dividend policy in 1956. The managers of 28 companies have been interviewed by John Litner and he determined that "dividends are sticky, tied to long-term sustainable earnings, paid by mature companies, smoothed from year to year, and that manager's target a long-term payout ratio when determining