MACROECONOMIC AND THE MALAYSIAN EQUITY MARKET

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ABSTRACT

Dividend payout policy has been a major puzzle in the financial world. It is still quite a mystery what determines the ratio of dividend that companies give out. Hence, the interest in conducting the study in Malaysia since past researches have mostly focused in developed countries. Dividend payout ensures stakeholders remain satisfied that they are getting the return on their investment. The study is focused primarily on companies that are listed in Bursa Malaysia to get accurate information on their financials. This study is conducted to investigate the relationship between dividend payout ratio and its determinants mainly growth, profitability, market capitalization and leverage. This will determine what affects dividend payout ratio the most. This research will use a panel data based on a yearly basis from the year 2012 to 2016. The analysis of the data will be done using E-views software. Panel series econometric techniques of Ordinary Least Square regression will be used to study the relationship between dividend payout ratio and the selected determinants.

CHAPTER 1

1.1. INTRODUCTION

Dividend policy is one of the most interesting topics in financial research. Conflicting hypotheses theories and explanations have been provided by economists with considerable attention and thoughts to solving the dividend puzzle, resulting in a large number of. (Al-Kuwari, 2009) stated that emerging markets is often different in its nature, characteristics, and efficiency in its dividend policy compared to developed markets.

Many dividend theories have been made and advanced in trying to explain how dividend decisions are made and concluded to and how these are made in respect to how it will impact the value of the firm. Different approaches here include the conservative group which believes that increase in dividend or paying out dividend increases the value of a firm, the radical group which believe that it reduces the value of a firm while the ones in the middle believe that it has no effect on the value of a firm. (Mehta, 2012)(Renneboog & Trojanowski, 2011) states that the higher the voting power is assumed by the executive directors the probability that the companies will payout their dividends combined with share repurchases or profit as dividends increases too. They explained that this result is inconsistent the agency theory of payout which assumes that if managers assume more discretion powers managers will pursue more wasteful activities for status building.