



**UNIVERSITI TEKNOLOGI MARA**

**INTERRELATIONSHIPS BETWEEN FINANCIAL RATIOS  
AND DIVIDEND POLICY:  
THE EVIDENCE OF HEALTHCARE EQUIPMENT AND  
SERVICES SECTOR IN MALAYSIA**

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## ABSTRACT

A company's dividend policy is measured by the dividend payout ratio which is the total amount of dividend paid out to its shareholders relative to the company's net income while the ability of a company to make profit is measured by its financial performance, which is generated from the revenue and aggregate expenses line items on the income statement. Financial performance consists of calculating financial ratios analysis such as liquidity, activity, leverage and profitability ratio. The purpose of this study is to examine the relationship between financial ratios analysis and dividend of Malaysia's healthcare equipment and services sectors. This analysis is also to investigate or establish the effects of the elements such as activity, liquidity, leverage and profitability ratios that affect dividend payout ratio of healthcare equipment and services companies that had been listed under Bursa Malaysia. The international economy, especially the healthcare industry, has recently been impacted by the COVID-19 outbreak. The significant business opportunities that have developed as a result of the pandemic have piqued the interest of investors in this industry. As a result, it is important to recognize the factors that influence healthcare companies' dividend policy in a developing market especially in Malaysia (Latif et al., 2021). All the information for this research is collecting data from the sampled sectors of healthcare equipment and services listed under Bursa Malaysia that are related in companies' annual reports from 2011 until 2020. In this research, dividend policy (DPR) is chosen as a dependent variable. It is measured by its independent variables which are liquidity, activity, leverage and profitability ratios which are measured by current ratio (CR), total assets turnover ratio (TATO), debt ratio (DR) and return on investment ratio (ROI) respectively.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

The first chapter of this study begins with the overview or background of the studies and then goes on to explain the topic of healthcare equipment and services in Malaysia. This is followed by the problem statements, research objectives, research questions, significance of study, scope of study and definition key terms.

### **1.2 BACKGROUND OF STUDIES**

A company's dividend policy is measured by the dividend payout ratio which is the total amount of dividend paid out to its shareholders relative to the company's net income while the ability of the company to make profit is measured by its financial performance, which is generated from the revenue and aggregate expenses line items on the income statement. Financial performance consists of calculating financial ratios analysis such as liquidity, activity, financial leverage and profitability ratio. The purpose of this study is to examine the relationships between financial ratios performance and dividend of Malaysia's healthcare equipment and services sector. This analysis is also to investigate or establish the effects of the elements such as liquidity, activity, leverage and profitability ratios that affect dividend payout ratio of healthcare equipment and services companies that had been listed under Bursa Malaysia.

Healthcare equipment and services sector is defined by Bursa Malaysia as manufacturers and distributors of health care equipment and providers of healthcare services including lab testing services and dialysis centers. It is undeniable that the healthcare sector is considered crucial for investments especially in world-class amenities both in private and public sectors in delivering specialized healthcare equipment and skilled services. According to Bernama (2021), healthcare and technologies beat the overall industries of the Bursa Malaysia throughout 2020, earning 93.8 percent and 91 percent year on year (y-o-y) on growing demands that were driven mostly by COVID-19 outbreak, correspondingly. According to the Securities Commission (SC), the increment