

**UNIVERSITI TEKNOLOGI MARA**

**THE DETERMINANTS OF DIVIDEND  
POLICY ON DIVIDEND DISTRIBUTION IN  
MALAYSIA PUBLIC LISTED COMPANIES**

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## **ABSTRACT**

The latest issues on authorizing the dividend policy, if they do not pay cash dividends to the shareholders, companies were bound to the risk being punished. It is not only a dividend policy on profits that warrants attention. Some listed companies with huge cash piles are also stingy in distributing them. The existence of MCCG 2017 hints dividend policy ignorance is a silent problem that should not be ignored by the board as it is part of the governance of the organization. Therefore, corporate dividend policy directly influences the companies' value and the shareholders' wealth. Previous literature reviews documented that dividend policy is a controversial, debatable, arguable, ambiguous, an unsolved puzzle topic. Simply put, dividend distribution is a corporate governance problem. The main objectives of this study were to determine the factors influencing dividend distribution among Malaysian public listed companies' in the consumer products sector. The quantitative design method was used where a sample of 113 companies in Malaysia were selected. The dividend irrelevance theory set the foundation for the investigation. In addition, the data analyses employed descriptive analysis, correlation analysis and multiple regressions in determining the impact of leverage, liquidity, company size, and profitability on dividend policy in the consumer products industry over a period of five years from 2013 to 2017. The empirical results of this study show that leverage, company size, and profitability have a positive relationship with dividend distribution. Meanwhile, liquidity has a negative relationship with dividend distribution. The results of the analysis showed that company size and profitability were the major factors that affected dividend distribution decision. The board of directors of the PLCs should use the dividend payouts rate as a company-monitoring indicator where large retention of earnings would encourage behavior by the managers that do not maximize shareholder value.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Preamble**

The financial crisis of 2008 gained much publicity in the corporate world. The crisis rocked the ways corporations govern their finances, in particular the dividend payout for the year. This episode in the global economy showed that corporate governance should put priority to dividend distributions. Large businesses and corporations in the world are involved in corporate governance. Corporate governance is not restricted to the management and administration of an organization, but is broad in nature. Financial management and dividend distribution are also part of corporate governance. Specifically, the different standardization of dividend policy and shareholder distribution of profits among various corporations particularly in Malaysia will be addressed in this dissertation.

Consequently, it is important to note that this dissertation is a research work. In beginning a research work, it is important to study the motivation and nature of the problem before conducting it. Therefore, this chapter introduces the research problem through the background of study, problem statement, research objectives and questions, scope, significance of study, definition of terms and summary. The following section, the background of study will provide the discussions on the general corporate scenario before narrowing to the justification for the conduct of the investigation on dividend distribution or dividend payout. From time to time, the term corporate governance will be used to ensure that there is focus in the study.

In the theory of finance, the goal of management is to create value for the stockholders by maximizing shareholder wealth (Kent and Rob, 2015). By focusing on dividend distribution, considerable debate exists on whether dividend policy plays a role in achieving organization goals. As previously mentioned, corporate governance is a broad area. Aside from accounting and financial management, another one of corporate governance's most important element of success is the dividend policy. According to Al- Shubiri (2012), dividend policy is one of the top ten puzzles in corporate finance. Dividend policy study was first pioneered by John Lintner in 1956