



**UNIVERSITI TEKNOLOGI MARA**

**THE DETERMINANT OF DIVIDENT PAYOUT IN  
UTILITIES SECTOR**

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## **ABSTRACT**

There are many factors affecting dividend payout decisions, not only due to the manager's decision but also influenced by financial performance and cash flow distributions. To tackle the main issue, this study aims to investigate the relationship between dividend payout and the factors that affect dividend payout (debt, cash flows, investment, and growth), focusing on Malaysia's utilities sector. A number of analyses, including descriptive analysis, correlation analysis, and Ordinary Least Square (OLS) analysis, were performed on twelve listed utility companies in Malaysia from 2018 to 2020, a quarterly basis. Results from this study show that cash flow and growth have a strong and positive relationship with dividend payment. On the other hand, investment indicates a strong but negative relationship with dividend payment and debt has a small but positive relationship with dividend payment.

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

The recent global economic downturn has had an impact on Malaysia's economy. Businesses and households must change their ways and make more valuable investments in order to maintain their wealth and inclination. During an economic downturn, the money market (due to low deposit rates) is likely to contract, whereas the stock market is now functioning as an alternative fund, which most businesses and individuals prefer. As a result, people are interested in investing in the stock market because the benefits of capital gains and/or dividends outweigh the benefits of loan interest.

The dividend payout illustrates how much money a company keeps on hand to reinvest in growth, pay down debt, or build cash reserves versus how much it distributes to shareholders (retained earnings), and the payout trend in 2018-2020 is downward. In this study, dividend per share is used as a proxy for dividend payout. The dividend per share formula is as follows:

$$\text{[Dividend Per Share = Total Dividends Paid / Shares Outstanding]}$$

The issue of dividend policy has sparked much discussion. The greater the dividend payment, the greater the company's profitability Ho (2003). According to Khan and Ahmad (2017), dividend payout decisions tend to focus on distributing or holding a portion of corporate profits. Variables such as growth, debt, and cash flow have a negative impact on dividend payout, whereas investment and growth have a positive impact (Abdullah & Saha, 2010; Agyei & Marfo-Yiadom, 2011). In the utilities sector, there are companies that have achieved the highest dividend payments over their financial history.

Given the importance of dividend policy, choosing the best dividend is essential. Previous research has found that profits, investment opportunities, lagged dividends, and cash flows can all influence dividend decisions (Yusof & Ismail, 2016), in addition to competing theoretical views on dividend policy. Academic studies have thoroughly examined the variables that influence over time.