



**DETERMINANTS OF DIVIDEND POLICY INSIDE  
THE MULTINATIONAL FIRMS**

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JOHOR**

**NOVEMBER 2006**

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**Submitted in Partial Fulfillment  
of the Requirement for the  
Bachelor of Business Administration  
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT  
UITM, JOHOR**

**NOVEMBER 2006**

## LETTER OF SUBMISSION

November 8, 2006.

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Dear Sir,

### SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**DETERMINANTS OF DIVIDEND POLICY INSIDE THE MULTINATIONAL FIRMS**” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely



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Bachelor of Business Administration (Hons) Finance

## **ACKNOWLEDGEMENT**

All praises to the Almighty ALLAH, the most merciful and the most benevolent for giving me the strength, health and patience in order to complete this project paper. Without the grace and help of ALLAH S.W.T it would be impossible for me to do and complete this project paper.

I would like to express my greatest appreciation to my most respected advisor, Miss Norashikin binti Ismail for her time, moral support, ideas and suggestions, and continue guidance throughout the period of this study in order to complete this project paper.

I would also like to thanks to my beloved family and Muhammad Mukhriz bin Moktar for their continuous supports, understanding and preserving with my preoccupation throughout the two years of hard work in BBA (Hons) Finance. Without their support, I would never make it this far.

Lastly, I would like to thanks to my entire classmate BBA Finance 06 and anybody who had directly or indirectly gives me the support, encouragement, constructive criticism, advices and help me in completing this project paper. Your cooperation is kindly appreciated.

Thank you.

## **ABSTRACT**

This paper examines dividend policy for a sample of multinational firms listed on the Main Board and Second Board of Bursa Malaysia. The objective of this study is to identify which financial variables that influence the multinational firm's dividend payout in Malaysia. A sample of 25 firms was selected for the period 2000 to 2005 and the method used in this study is multiple regression analysis. The financial data of these companies was analyzed by regressing debt ratio, time interest earned, working capital ratio, tangibility, size, and return on equity to the dividend payout. Based on overall results, return on equity has a significantly positive relationship with dividend payout. Whereby, high return on equity tends to mean high dividend payments. This is because return on equity measures the common shareholder's rate of return on their investment in the company that is by looking at profitability of the firm relative to common equity. Investor will more interested to invest in the firm with high return on equity. The firms have to pay high dividend in order to maintain the shareholders as the firms relies on external financing (equity investor) to support growth.