

**THE INTERACTION EFFECT OF EARNINGS
AND DIVIDEND**

**NURULASHIKIN BINTI LOKMAN
2005809065**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

MAY 2007

**THE INTERACTION EFFECT OF EARNINGS
AND DIVIDEND**

NURULASHIKIN BINTI LOKMAN

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

**FACULTY OF BUSINESS MANAGEMENT
UITM, JOHOR**

MAY 2007

DECLARATION OF ORIGINAL WORK



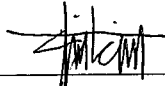
**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR**

“DECLARATION OF ORIGINAL WORK”

I, Nurulashikin binti Lokman, (I/C Number: 840518-08-5988)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: 

Date: 12/05/07

ACKNOWLEDGEMENT

In the Name of Allah SWT, very grateful and praise to the Almighty Allah, the Most Gracious, Most Merciful and benevolent for the blessing that give me strength and patience in completing this project paper on time. Without the permission of Him, it may be impossible for me to have confidence, courage and spirit to do a research and in the same time to complete this project paper.

This project paper was the prepared to fulfill the requirement of Bachelor in Business Administration (Hons) Finance. This piece of research has given me the opportunity to gain more knowledge than the mere classes attended. Notably, I'm being exposed to the current issues on finance before continuing with the future endeavor challenges.

Indeed, I would like to express my warmth gratitude to my most respected advisor, Cik Norashikin bt. Ismail who giving a marvelous and wonderful thought, ideas, time, commitment and continuous learning in the scope of study that will functioning the direction of this research. Also not forgotten to all my finance lecturers who helped me either directly or indirectly in completing this project paper.

In the mean time, my deepest appreciations are also dedicated to my beloved parents for their courage and forbearance. Without his prayers and encouragement, this project paper may not be complete. I felt honored to have them in my life. Also to my siblings, thank you for giving me a lot of support and strength.

ABSTRACT

This study is to examine the interaction effect of earnings and dividends whether both earnings and dividends provide information to each other. Dividend is a signal to investors where increases in dividend is associated with positive abnormal returns and decreases in dividend is associated with negative abnormal returns around the time of the dividend announcements. A lower or negative in earnings does not necessary indicate a bad news to investors. A sample of 251 Syariah Compliance firms listed on main boards in Bursa Malaysia was chosen for this study over the year 2001 to 2005. Regression model has been employed to test whether an interaction effect exist between earnings and dividends. The expected result of the interaction test is significant, indicating that both signals jointly influenced the level of abnormal returns earned by the companies. It shows that there are an interaction effect exists between earnings and dividends.