UNIVERSITI TEKNOLOGI MARA

THE IMPACTS OF CORPORATE GOVERNANCE TOWARDS THE FIRMS' DIVIDEND PAYOUT RATIO

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AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Corporate governance plays an important role to boost the confidence of investors and other participants in capital markets. Generally, it is a system that directs and controls the distribution of responsibilities and rights among a firm's stakeholders. Dividend is considered as a reward for providing finances to a firm, as without any dividend, shares would not be valuable. The issue of corporate governance has always been an essential and critical element for both private and public sectors in Malaysia. Malaysia's Prime Minister has even emphasized for more concentration on the corporate governance related issues. He argued the need of the firms in the country to benchmark to an effective system that could enhance the quality of good corporate management practice. Besides, dividend payout ratio will subject the firms to be examined by capital market in order to secure more capital for expansion. Good corporate governance is believed to be a key factor in order to enhance firms' dividend payout ratio and maximize the shareholders' wealth. This research analyses dividend payout ratio as the dependent variable. Meanwhile, the independent variables are board size, outside directors proportion, managerial ownership, ownership concentration and board meeting frequency. This research uses a sample of 10 companies in finance sectors that listed in Bursa Malaysia. All data of the variables are taken from the firms' Annual Report that published in Bursa Malaysia and cover a period of 7 years from 2010 to 2016. As the research methodologies, this study uses panel data analysis, descriptive analysis, correlation analysis, multiple regression analysis by using pooled ordinary least squares (OLS) method and assumption tests. It finds that all the independent variables of corporate governance have relationship with the firms' dividend payout ratio.

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