

UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF DIVIDEND POLICY:
A CASE OF MALAYSIAN PUBLIC
LISTED COMPANIES

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ABSTRACT

Dividend policy is a crucial guideline of making decision regarding how much earnings could be paid out as dividend and how much could be retained. It has been one of the most significant topics in financial literature, which gave it a considerable attention to solve the dividends ambiguity. Based on the previous literature, there are many factors that contributed to the setting up of dividend policy. However, this study concentrated to only four factors. Hence, the main objective of this study is to examine the relationship between firm performances (profit), capital structure (debt to equity), past year's dividend, growth and dividend policy that quantified by dividend payout, dividend per share and dividend cut. There are 672 firms listed on Bursa Malaysia for the period of year 2014 that has been analyzed in multiple regression analysis. The results support prior findings that firm performances (profit), capital structure (debt to equity), past year's dividend and growth were significantly related with Dividend Policy. Controlled variables such as firm's loss, size, distress and industry affects only certain means of Dividend Policy. This study concludes that firm performances (profit) was significantly related to Dividend Policy that measured by Dividend Per Share and Dividend Cut while Debt to Equity was found to have significant relationship with Dividend Payout only. However, Past Year's Dividend was found significantly related with all means of Dividend Policy tested in this study. Yet Growth only related significantly with Dividend Cut. Therefore, this study benefits firm's policy makers to identify the factors that contribute in structuring a dividend policy and also enable the firm to control the factors that affects the dividend payout, dividend per share and dividend cut.

Keywords: *Dividend Policy, Malaysian Dividend Policy, Firm Performances (Profit), Capital Structure (Debt To Equity), Past Year's Dividend, Growth, Dividend Payout, Dividend Per Share and Dividend Cut.*

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