



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF DIVIDEND
POLICY TOWARDS CONSUMER
SECTOR IN MALAYSIA**

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ABSTRACT

This research aims to investigate the factors that influencing dividend policy for the consumer sector in Malaysia. This research study also determines the behaviour of the dividend policy on Malaysian consumer specifically before and after the Global Financial Crisis 2007-2008. The dependent variable used in this research was dividend policy that will be measure by dividend per share. There are six (6) independent variables used in this research which are earnings per share, debt ratio, firm size, growth opportunities, investment opportunities and return on asset. About 15 consumer companies registered under Bursa Malaysia have been chosen in this study. This research use the quantitative secondary data which is panel data. Besides that, this research conducted a multiple regression using Eviews to analyse the data collected by using the statistical method and test on assumption. The findings show that earnings per share, firm size and growth have a significant positive relationship with dividend policy, while investment opportunities has a significant negative relationship with dividend policy. Debt ratio and return on assets have an insignificant positive relationship with dividend policy.

Keywords: Global Financial Crisis, dividend per share, Bursa Malaysia, Dividend policy.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Dividend policy is the fundamental and very important because it attracts potential investors into the investment (Bararoh, 2015). A higher dividend payment to its shareholders will attract a larger pool of investors thus increasing the amount of capital raised. However, a company should determine the optimal dividend policy to create a balance current dividends and retained earnings for future growth. Most of the companies in Malaysia will pay the dividend to its shareholders even when the retained earnings are deficit as they believed that it will gain the existing shareholder's trust to keep investing in their companies. Under the consumer sector in Malaysia, there are 15 companies registered under Bursa Malaysia. Most of the consumer companies produce the necessary products which usually were not interfered by any unfavourable economic events as they provide the necessities for consumers.

1.2 BACKGROUND OF STUDY

Firms should pay the dividends to the shareholders rather than omitting dividend payments. The dividend policy is important to the shareholders because the performance of the company have been decided by the behavior of the firms whether they pay or not pay the dividends. When the firms pay higher dividends to the investors, it shows that the performance of that firm is good. Besides that, the investors tend to invest in the firms that have good performance because they want to secure their current income. There is an advantage when the firms pay dividends because the firms can maintain their market price when they decided to pay the