

UNIVERSITI TEKNOLOGI MARA

**THE EFFECT OF DIVIDEND POLICY
ON MARKET RETURN IN MALAYSIA**

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ABSTRACT

Dividend is such a big issue to concern since one of the company's source of income is from their investors. So, firms should give a good insight about the company's performance to the investors. Based on what researcher have been read, researcher found that dividend policy have a relation to determine the increase or decrease the market return of a company. Due to this, different models have been analyzed and developed to help firm evaluate and analyze the perfect dividend policy that give beneficial to all situations. In other words, investors prefer a firms that pay regular dividends to their shareholder in order to gain higher profit and automatically it increase the share price of a company. Therefore, this research was conduct to determine wether or not there have a relationship between dividend policy and market return by using debt-equity ratio, price earning ratio, firm size and dividend payout ratio as independent variables and market return as dependent variable and to examine the most independent variables that influence dependent variable. This research are used panel data and focus on 21 largest listed companies in Bursa Malaysia by full market capitalization. The data used in this study are taken from the income statement and balance sheet which is collected from annual report for a period of eleven years from 2003 to 2013. This information is taken from *bankscope.com* for banks and *osiris.com* for listed companies. Other than that, the information also were received from *Knowledge Center Bursa Malaysia*. The result shows that there have a positive relationship between market return with price earning ratio and dividend payout ratio while, there have a negative relationship between market return with debt-equity ratio and firm size. This study are helpful for the investors, a firms and also the researcher if they want to know about the dividend and market return of listed companies in Malaysia.

Key Words: Market Return, Dividend Policy, Debt-Equity Ratio, Price-Earning Ratio,
Firm Size and Dividend Payout Ratio

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