UNIVERSITI TEKNOLOGI MARA

ANALYZING THE CONTRIBUTING FACTORS INFLUENCING THE DIVIDEND PAYOUT RATIO OF PROPERTIES INDUSTRY IN MALAYSIA

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Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Finance)

Faculty of Business and Management

December 2018

ABSTRACT

Dividend payout plays important role as a shareholder wealth. The profit that firms have been distribute to paid dividend among shareholders and retained earnings will be used in future investment. In this paper, the main purpose is to analyzing the contributing factors influencing the dividend payout ratio of properties industry in Malaysia. The factors examined in this study include firm size, leverage, profitability, liquidity, and investment opportunities. Data were collected from datastream on public listed companies under properties industry in Bursa Malaysia and annual report of the public listed companies. There are 97 companies listed in properties industry, but this study examined only 11 listed companies were chosen. Ordinary Least Square Regression (OLS) technique was used to measure the firm size, leverage, profitability, liquidity and investment opportunities to analyzing the relationship between variables and the dividend payout ratio. These independent variables are used to see whether there is a significant or insignificant with the dividend payout ratio. The results indicated that are firm size, leverage, profitability, liquidity, and investment opportunities have a significant influence on dividend payout ratio with firm size and liquidity have a positive significant effect. Furthermore, the findings also explained that leverage, profitability and investment opportunities have a negative significant effect. Findings from the study would be useful for the shareholders in making future investment.

Keywords: Dividend Payout Ratio, Firm Size, Leverage, Profitability, Liquidity, Investment Opportunities, Property Companies

ACKNOWLEDGEMENT

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CHAPTER ONE
INTRODUCTION

1.1   Introduction

Dividend payout ratio is one of fundamental corporate issue that gives impact on financing and investment decisions. It will influences the debts of a company and have an impact on the cost of capital of the company (Yusof and Ismail, 2016). Dividend payout ratio plays a very important role towards shareholders wealth and may be closely related of companies make in investment decisions. Companies' dividend decisions might also be influence by debt, profit, risk and firm size (Abor and Bokpin, 2010). A research done by Mui and Mustapha (2016) stated that the dividend paid will be return to the shareholders that who are invested in the organization and the profit has being reinvested known as retained earnings by the company in business operation.

Meanwhile, some of the companies does not paid a dividend because of still growth and wants to invest more in business and growth. The companies also get their earnings are volatile more than their cash inflows while as group companies does not have external financial market for their investment needs, so that they do not need to pay dividend or might be pay as lower dividend as compared standalone companies (Ranajee, Pathak, and Saxena, 2018).

This study will focuses on analyzing the contributing factors influencing the dividend payout ratio of properties industry in Malaysia. In this chapter, it will discuss further on the background of the study which is the research will tell about the effect if dependent variable is being tested towards each of independent variables. Dependent variable is Dividend Payout Ratio (DPR) and independent variables are Firm size (FS), Leverage (LEV), Profitability (PRO), Liquidity (LIQ), and Investment Opportunities (IO). Problem statement will tell more the problem of this study.

For the research objective is one of the important element in this study, this is because research purpose and objectives to determines overall of the research. The research question will discuss about the question that related in the theoretical framework and the significance of study will cover this research that give the