UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF DIVIDEND PAYOUT ON HIGHEST PAID DIVIDEND COMPANIES IN MALAYSIA

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ABSTRACT

The company's dividend payout strategy is one of the most hotly disputed topics in corporate finance, with some scholars calling it an unsolved conundrum. Even though a great deal of study has been done on dividends, there is no consistent answer to the question of what factors influence the dividend payment ratios of firms. As a result, I have decided to conduct research into the factors that influence the dividend payout ratios of large and medium-cap businesses listed on the Stockholm stock exchange. The goal of the research is to see if there is a link between a variety of parameters and the dividend payment ratios of various corporations. A secondary purpose is to see if there are any changes in the influence of company-specific characteristics between large and medium-sized companies. As a result, we looked back at earlier research and dividend theories to see which factors might have an impact on the companies' dividend distribution ratios. I opted to evaluate the association between the dividend payout ratio and five company-specific factors based on the literature: liquidity, profitability, firm size, and cash flow. The data included in the study were secondary data acquired during a ten-year period, from 2012 to 2021.

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1.1. INTRODUCTION

The factors that influence dividend policy have long been a source of debate. Researchers are still trying to figure out what factors influence dividend pay-out (Dewasiri et al., 2019). According to finance and economics literature, corporate executives are adamant about not cutting dividends because a company's dividend payments are supposed to represent one's earnings (Krieger et al., 2021). A company's dividend announcement is a statement regarding the company's current earnings. While current earnings can be used to estimate and predict a company's predicted future profitability. According to Yong & Mazlina (2016), a company should pay a dividend to deter insiders from investing surplus wealth in activities that aren't beneficial to the company. This demonstrates that a company's worth is determined by its earnings and earnings power (Miller & Rock, 1985). Furthermore, Chan et al., (2021) argue that relevance theory, which leads to market imperfections, has an impact on a company's dividend value. According to this statement, if a stock's price is predicted to rise, the dividend should rise as well. As a result, many researchers have attempted to investigate the key factors that influence dividend pay-out. The link between the independent factors of liquidity, profitability, firm size, and cash flow and the dependent variable, dividend pay-out ratio, is investigated in this study using analysis.

1.2. BACKGROUND OF STUDY

When it comes to the factors that determine dividend distribution, there is no consensus among experts. Cash dividends are less safe than future financial gains (James E. Walter, Myron J. Gordon, 1963). As a result, they argue that investors prefer companies that pay regular dividends, and that these pay-outs affect the stock's market price. The topic of dividend pay-out has piqued economists' and management academics' interest, resulting in theoretical modelling and empirical research. Dividend policy is a challenging topic in finance, and it is one of the top ten most difficult topics (Brealey and Myers, 2002).

The main objective of a company's management is to maximise shareholder wealth, which will increase the company's value as measured by its common stock price (Gordon, 1963). The concept that if a firm is unable to locate appropriate investments that would give better returns