



**UNIVERSITI TEKNOLOGI MARA**

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DIVIDEND POLICY: MALAYSIA**

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## ABSTRACT

Malaysia is an emerging market, with capital markets comprises conventional and Islamic make it stand more than others emerging market. The capital market is where various long term financial instrument such as equity are traded. Investors have presumption of the investments they make in the capital market, which can come from capital gain or dividend payment. Unfortunately, dividend decision by firm's management will triggered side effect as it will reduce retained earnings and created problem to fund future project. On the other hand, if firms did not pay dividend, firms share price become unattractive. The goal of this study is to examine the determinant of dividend policy in the context of Malaysia, specifically toward Top 100 largest firms in Bursa Malaysia using more recent data. 55 firms from various industry except financial firms were selected from 2015 until 2020 totaled to 330 observations. This study focuses on three variables which is profitability, leverage, and growth toward dividend pay-out ratio which is proxy of dividend policy. The approach to this study will be a panel data analysis. E-Views which is mathematical instruments are used to applied various statistical techniques namely descriptive statistics, correlation analysis, and regression analysis using POLS, Fixed effect, and Random Effect models. Hausman test revealed the Fixed Effect model is the best model. The results show only profitability significantly and negatively effects dividend policy. Thus, findings from this research would contribute to existing literature to solve the dividend policy mystery.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 INTRODUCTION**

There are many streams of income, such as typical monthly wages from daily jobs, business profit, inheritance, royalties, and investment return that usually come from two ways. Firstly, capital gain, which only happen when the price of current share exceeds the buying price of the share. Secondly, Dividend, which can be define as the distribution of some company earning towards their shareholders or investor. Dividend often distributed annually basic. There are also special types of dividends from the corporation to show gratitude towards shareholders. Furthermore, dividend policy might varied depend on the company performance and based on their corporation management decision. Thus, this research wants to seek the determinant of dividend policy in Malaysia.

### **1.2 RESEARCH BACKGROUND**

The capital market is a setting where various long term financial instrument such as equity and debt with maturity more than one year are traded. Investors expect return from investments they make in the capital market, which came from two ways - capital gains and dividend payment (Wahjudi, 2019).

As stated by Ali and Mohamad (2020) dividend is kind of incentives that company give to shareholders to offset investor investment risk in the company. Even though dividend payment is up to the firms and not obligatory, firms pressured by investors to give dividend as investor disinvestment could affect firms stock price (Tahir, Masri, & Rahman, 2020). Its payments which reflects it affordability of its own and borrowing cost will kept investor funds in the firms. (Arif, Urooge, & Malik, 2020)

Pangabebean (2021) stated that in economic activities, It's a facts that investors always face unforeseen risks and uncertainties. Gordon (1963) proposed that, due to uncertainty nature of capital gain, dividend which is fixed income element possess low risk favoured by the investors and eventually direct a higher market price.