



**DETERMINANT OF DIVIDEND POLICY IN INDUSTRIAL
FIRM IN MALAYSIA**

**HANIS BINTI MD SHAARI
2012108339**

**Submitted in Partial Fulfillment
Of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

JANUARY 2017

TABLE OF CONTENT

ACKNOWLEDGEMENT	vii
ABSTRACT.....	viii
Chapter 1: Introduction.....	1
1.2 Background of Study.....	1
1.3 Problem Statement	3
1.4 Research Objective.....	4
1.4.1 Main Objective.....	4
1.4.2 Specific Research Objective	4
1.5 Research Question.....	4
1.5.1 Main Research Question	4
1.5.2 Specific Research Objective	4
1.6 Significant of Study.....	5
1.7 Scope of Study	5
1.8 Summary	6
Chapter 2: Literature Review.....	7
2.1 Introduction	7
2.2 Literature Review on the Topic.....	7
2.3 Literature Review for Profitability.....	9
2.4 Literature Review for Investment Opportunities	10
2.5 Literature Review for Firm size	11
2.6 Literature Review for Leverage	12
2.7 Literature Review for Growth Opportunities	13
2.8 Literature Review for Age of the firm	13
2.9 Literature Review for Other Variable	14
2.9.1 Corporate Tax	14
2.9.2 Liquidity.....	14
2.9.3 Institutional Shareholder	15
2.9.4 Inflation Rates	15
2.9.5 Firm Ownership	15
2.10 Summary	16
Chapter 3: Research Methodology	17

ACKNOWLEDGEMENT

First and foremost, I yearn to count my humble blessings and thanked Allah S.W.T for providing me with the mental and physical abilities as well as other positive attributes notably perseverance to complete this challenging research paper. Special gratitude goes to my research advisor Sir Mohamad Azwan Bin Md Isa for his helpful guidance, supervision and support. His constructive comments and suggestions greatly assist in the successful completion of this project paper. In addition, special thanks to Sir. Syamsyul Bin Samsudin for his guidance and advices toward the completion of this project paper.

Furthermore, my deepest gratitude to my beloved parents for their unwavering supports invaluable assistance and sincere blessing. Lastly, I would like to extend my appreciation to each person I know who have help to complete this research paper. Sincere thanks to all my friends and office colleagues for their understanding, kindness and moral support during the testing time undertook to complete this assignment.

Thank you.

ABSTRACT

The function of the paper is to find out the factors that contributed to the determinant of dividend policy for the industrial companies. The data that will be examined in this study will retrieve from UiTM Data Stream. The sample for this paper will consist of 30 industrial companies which are listed from the Board of Bursa from the year 2011 to 2015. The method for analyses the data in this project is Multiple Linear Regression with panel data. In this paper, the dependent variable is dividend payout ratio while for the independent variables is profitability, leverage and operating activities. Based on the variables, the objectives of the study is to determine the effect of profitability (ROE), leverage (TIE, DR, and WCR) and operating activities (tangibility and firm's size) to the industrial companies' dividend policy. In conclusion, the result of this research will help the investor to make a systematic strategy and make an appropriate decision in choosing a company based in the company dividend policy.

Chapter 1: Introduction

1.1 Introduction

From commonly business knowledge, it is well known that every business establish need an extra finance or external sources to fund their business. This external source usually called themselves shareholder or investors. Occasionally, the company is entitled to pay the shareholder back; this is to remain the business relationship between the company and the shareholder. The return that reward to the shareholder is called dividend. However, what came to an issues is that the decision to pay dividend or the amount distributed is partially decided by the company. The company will plan out their strategy for the distribution of the dividend by carefully reviewing the company financial condition, economical condition and other factors. This is why this study is held, to find out specifically which financial segments that included in the consideration.

1.2 Background of Study

Dividend policy has always been a challenge to the financial economists to point out the concept or further solve the complication. By the cause of unsettle discussed issues, diverse studies have been carried out. Various researches promise to discover new and firm component that may control the dividend pay-off within the company's policy. The scenario has not paused and still continues nowadays. In the book by Breley and Myers (2002) have outline several unresolved discussion in financial issues, which describe dividend issues is one of the problems that made the list.

Since the choice of dividend policy will involve both investment and financing decisions, hence the issued have been a crucial corporate finance issues. The decision to pay or not