

**DETERMINANT OF DIVIDEND PAYOUT RATIO:
EVIDENCE FROM PUBLIC LISTED COMPANY IN
MALAYSIA**



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**MASTER OF SCIENCE (FINANCE)
UNIVERSITI UTARA MALAYSIA
JANUARY 2016**

**DETERMINANT OF DIVIDEND PAYOUT RATIO: EVIDENCE
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By

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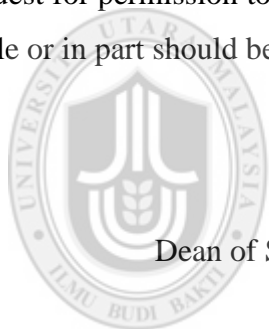
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**Thesis Submitted to
School of Economics, Finance, and Banking,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the Master of Sciences (Finance)**

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ABSTRACT

This dissertation examines the determinants of dividend payout ratio of 139 public listed companies in Malaysia over the period 2001 to 2014. Data are collected from DataStream database and analysed using Ordinary Least Squares (OLS). Dividend payout ratio is measured by dividend value divided by total asset, while the determinant variables are size, profitability, cash flow, sales growth, leverage ratio and historical growth.

The findings demonstrate that size, profitability, leverage ratio and historical growth influence the dividend payout ratio of Malaysian public listed companies in the period studied. Size negatively influence dividend payout ratio, profitability positively influence dividend payout ratio, leverage ratio has a positive relationship with the dividend payout ratio and lastly historical growth negatively determine dividend payout ratio. This implies that in Malaysia, bigger size companies pays less dividend, more profitable companies pay more dividend, higher leverage companies pay more dividend and finally, lower growth companies pay higher dividend.

Keywords: Dividend Payout Ratio, Malaysia

ABSTRAK

Disertasi ini mengkaji penentu nisbah pembayaran dividen bagi 139 syarikat tersenarai awam di Malaysia sejak 2001 hingga 2014. Data yang dikumpul diperolehi daripada pangkatan data "DataStream" dan dianalisis menggunakan "Ordinary Least Squares". Nisbah pembayaran dividen yang diukur adalah berdasarkan nilai dividen dibahagikan dengan jumlah aset. Manakala pembolehubah bebas adalah saiz, keuntungan, aliran tunai, pertumbuhan jualan, nisbah hutang dan sejarah pertumbuhan.

Hasil kajian menunjukkan bahawa saiz, keuntungan, nisbah hutang dan sejarah pertumbuhan mempengaruhi nisbah pembayaran dividen bagi syarikat tersenarai awam di Malaysia dalam tempoh tersebut. Saiz mempengaruhi nisbah pembayaran dividen secara negatif, keuntungan mempengaruhi nisbah pembayaran dividen secara positif, nisbah hutang mempunyai hubungan yang positif dengan nisbah pembayaran dividen dan akhir sekali, sejarah pertumbuhan mempunyai hubungan yang negatif dengan nisbah pembayaran dividen. Hal ini menunjukkan bahawa syarikat-syarikat yang lebih besar membayar sedikit dividen, syarikat-syarikat yang lebih menguntungkan membayar dividen lebih banyak, syarikat-syarikat yang memiliki hutang yang lebih banyak membayar lebih banyak dividen dan akhir sekali syarikat-syarikat yang bertumbuh dengan kadar yang lebih rendah membayar dividen yang lebih tinggi.

Kata kunci: Nisbah Pembayaran Dividen, Malaysia

ACKNOWLEDGEMENT

Alhamdulillah. I would like to express my deepest gratitude to Allah for the strength, peace of mind, good health and ability granted, in order to complete this dissertation. All the efforts and hard work was paid off when I can make this dissertation finally ready.

Foremost, I would like to express my appreciation to my charismatic and committed supervisor Dr. Azira binti Abd Adzis for all the guidance and patience that she had shown in making my dissertation the very best that it could be.

I also want to express my gratefulness to my family who gives full support and prayers for my success in this academic area and believes me to accomplish their wish and hopes. Not to forget, my wife Izyan Farhana binti Sharif and my entire friend who gives full moral support to complete this dissertation as well.

Last but not least, thanks to UUM for giving a chance and trust to me to perform my best in this academics area.

Thank you very much.

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LIST OF ABBREVIATIONS

DPAYOUT	Dividend payout ratio
SZ	Size
PROFT	Profitability
CFLOW	Cash flow
SGRWOTH	Sales growth
DERATIO	Debt to equity ratio
HGROWTH	Historical growth



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CHAPTER ONE: INTRODUCTION

1.1. Background of study

The term of dividend usually refers to a cash distribution of earnings. If a distribution is made from sources other than current or accumulated retained earnings, the term distribution rather than dividend is used. However, it is acceptable to refer to a distribution from earnings as a dividend and a distribution from capital as a liquidating dividend.

The most common type of dividend is in the form of cash. When public companies pay dividends, they usually pay regular cash dividend four times a year. Sometimes company will pay a regular cash dividend and an extra cash dividend. Paying a cash dividend reduces corporate cash and retained earnings (except in the case of a liquidating dividend – where paid-in capital may reduce).

Another type of dividend is paid out in shares of stock. This dividend is referred to as a stock dividend. It is not a true dividend because no cash leaves the company. Rather, a stock dividend increases the number of shares outstanding, thereby reducing the value of each share. A stock dividend is commonly expressed as a ratio; for example, with 2 percent stock dividend a shareholder receives 1 new share for every 50 currently owned Ross, Westerfield and Jaffe (2010).

However, Damadoran (1997) states that dividends have traditionally been considered the primary approach for publicly traded company to return cash or assets to their stockholders, but they comprise only one of many ways available to the firm to accomplish this objective. In particular, companies can return cash to stockholders

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