IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS' WEALTH: AN INTENSIVE STUDY ON INDUSTRIAL INDUSTRY AND SERVICE INDUSTRY IN MALAYSIA

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DECLARATION

We hereby declare that:

(1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be thy printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) Equal contribution has been made by each group member in completing the research project.

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TABLE OF CONTENT

		Page
Copyright Page		i
Declaration		ii
Acknowledgement		iii
Table of Contents		iv
List of Tables		xi
List of Figures		xii
List of Abbreviations		xiii
List of Appendices		xvi
Preface		xvii
Abstract		xviii
CHAPTER 1 INTRODUCTION		
1.0	Introduction	1
1.1	Research Background	1-4
	1.1.1 Trend of Dividend Distribution in Malaysia	4-11
	1.1.2 Malaysia Dividend Policy	11-14
	1.1.3 Types of Ownership and Dividend Policy	14-16
	1.1.4 Shareholders value and its linkage with dividend Policy decision	16-17
1.2	Problem Statement	17-21

1.3 Research Objectives 21
1.4 Research Question 22
1.5 Hypothesis of the Study 22
1.6 Significant of Study 22-24
1.7 Chapter Layout 25-26
1.8 Chapter Conclusion 26

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction 27
2.1 Review of Literature 27-28
2.1.1 Dividend Theories 28-29
2.1.2 Earning Theories 29
2.1.3 Stock Market Efficiency 29-30
2.1.4 Dividend Irrelevance 30-32
2.1.5 Dividend Relevance 32-33
2.1.6 Dividend Level 33
2.1.6.1 The Bird- In- Hand Theory 33-34
2.1.6.2 Tax Preference Theory 34-36
2.1.7 Signaling models
2.1.7.1 Background 37
2.1.7.2 Dividend Policy and Asymmetry Information 37-40

2.2 Review of Relevant Theoretical Models
2.2.1 Dividend Policy and Shareholder's Wealth 40-42
2.2.2 Independent Variable: Efficiency 42
2.2.3 Independent Variable: Liquidity 43-45
2.2.4 Independent Variable: Leverage 45-47
2.2.5 Independent Variable: Profitability 47-49
2.2.6 Independent Variable: Growth 50-52
2.2.7 Independent Variable: Firm Size 52-53

2.3 Proposed Theoretical Framework 54

2.3.1 Efficiency ratio 55-56
2.3.2 Liquidity 56-57
2.3.3 Leverage 57-58
2.3.4 Profitability 58
2.3.5 Growth 59-60
2.3.6 Firm Size 60
2.4 Hypothesis Development 61-64
2.5 Chapter Conclusion 64-65

CHAPTER 3 METHODLOGY

3.0 Introduction 66
3.1 Research Design 66
3.2 Data Collection Method 67
3.2.1 Secondary Data 67
3.3 Sampling Design 67
3.3.1 Target Population 67
3.3.2 Sampling Frame and Sampling Location 68
3.3.3 Sampling Elements 69
3.3.4 Sampling Techniques 69
3.3.5 Sampling Size 70-71
3.4 Overview of Sectors
3.4.1 Services Sector 72-75
3.4.1.1 Financial Services 75
3.4.1.2 Hotel and Tourism Services 75-76
3.4.1.3 Support Services 76
3.4.2 Industrial Sectors 76-77
3.4.2.1 Industrial Transportation 78
3.4.2.2 Industrial Metal and Mining 79
3.4.2.3 Industrial Engineering 80

3.5 Measuring of Variables

3.5.1 Dependent Variables
3.5.1.1 Market Per Share 81-82

	3.5.2	Independent Variables		
		3.5.2.1	Efficiency	83-84
		3.5.2.2	Liquidity	84-86
		3.5.2.3	Leverage	86-87
		3.5.2.4	Profitability	87-88
		3.5.2.5	Growth	89
		3.5.2.6	Firm Size	90-91
3.6	Data Analysis Technique			91-92
	3.6.1	Construct Measurement		
		3.6.1.1	Descriptive Statistic	92-93
		3.6.1.2	Panel Least Square	93-94
3.7	Chapter Conclusion			94

CHAPTER 4 DATA ANALYSIS

4.0	Introduction			95
4.1	Combined Sector			95
	4.1.1	Descriptive Statistics		96-98
	4.1.2	Regression Result		99-100
		4.1.2.1	Efficiency	100-101
		4.1.2.2	Liquidity	101-102
		4.1.2.3	Leverage	102
		4.1.2.4	Profitability	103
		4.1.2.5	Growth	103-104
		4.1.2.6	Size	104-105
4.2	Analysis by Sectors			105
	4.2.1	Industrial Sectors		105-109
		4.2.1.1	Efficiency	109
		4.2.1.2	Liquidity	109-110
		4.2.1.3	Leverage	110
		4.2.1.4	Profitability	111
		4.2.1.5	Growth	111
		4.2.1.6	Size	112
	4.2.2	Service Sectors		112-116
		4.2.2.1	Efficiency	116

	4.2.2.2	Liquidity	117
	4.2.2.3	Leverage	117-118
	4.2.2.4	Profitability	118
	4.2.2.5	Growth	118-119
	4.2.2.6	Size	119-120
4.3	Chapter Conclusion		120

CHAPTER 5 DISCUSSION, CONCLUSION AND IMPLICATION

5.0	Introduction	121
5.1	Summary of Statistical Analysis	122-125
5.2	Discussion of Major Findings	125-128
5.3	Implication of Study	
	5.3.1 Managerial Implication	128-130
	5.3.2 Investors Implication	131-132
5.4	Limitation of Study	132-133
5.5	Recommendations for Future Research	133-134
5.6	Chapter Conclusion	135-136

References 137-152

Appendices 153-155

LIST OF TABLE

Page

Table 1.1: Analysis of Dividend Payers and Non-Dividend Payers against Boards and Industries 6

Table 1.2: Ownership of Property Firms- Family, Institutional, Government, and Foreign- owned (2007). 14

Table 1.3: Percentage of Corporation Control in year 1996. 15

Table 2.1: Independent Variables used in this study to test their relationship With Dependent Variable 54

Table 3.1: Filter of Companies. 71

Table 3.2: Total investment in Service Sector. 74

Table 3.3: Total Trade in Transportation Industry. 78

Table 4.1: Descriptive Analysis on Dependent and Independent Variables. 96

Table 4.2: Correlation Analysis among the dependent and Independent variables. 97

Table 4.3: Eview Result –Industrial and Service Sectors. 99

Table 4.4: Descriptive Analysis on Dependent and Independent Variables. 105-106

Table 4.5: Correlation Analysis among the dependent and

Independent variables. 107

Table 4.6: Eview Result –Industrial Sector. 108-109

Table 4.7: Descriptive Analysis on Dependent and Independent

Variables. 112-113

Table 4.8: Correlation Analysis among the dependent and

Independent variables. 113-114

Table 4.9: Eview Result –Service Sector. 115

Table 5.1: Comparison of variables between Combined Sectors,

Industrial Sector and Service Sector. 122

Table 5.2: Determinants of shareholder's wealth for companies

In combined sectors, industrial sector, and service sector. 123-124

Table 5.3: Summary of major findings. 125-126

LIST OF FIGURE

Page

Figure 1.1: Regional comparison of dividend yield during 2009. 5

Figure 1.2: Average dividend per share and earning per share over 2004-2008. 7

Figure 1.3: Dividend distribution of property firms over the period of 1995-2005. 8

Figure 1.4: 5-years average dividend yield by several industries. 9

Figure 1.5: The average payout by various sectors from 1993-2000. 10

Figure 2.1: The relationship between stock price and dividend payout based on bird-in-hand and tax preference theory. 35-36

Figure 3.1: Contribution to GDP by sector in Malaysia, 2000-2008. 68

Figure 3.2: Growth of Services and Manufacturing Sectors, 1980-2005. 73

Figure 3.3 Major contributions by sectors based on 2011 estimated by CIA. 80

LIST OF ABBREVIATIONS

ATURN	Asset Turnover
BSE	Bombay Stock Exchange
CASHF	Cash Flows
CIA	The World Factbook
D1	Dividend
DEA	Data Development Analysis
DEQT	Debt to Equity
DPS	Dividend per Share
EPS	Earning per Share
FPL	Florida Power & Light
G	Growth
GCC	Gulf cooperation Council
GDP	Gross Domestic Product
ISI	Import substitution industrialization
IT	Information Technology
K	Cost of Equity
KLSE	Kuala Lumpur Stock Exchange
M&M	Modigliani and Miller

MCOM	Malaysian Chamber of Mines
MIDA	Malaysia Investment Development Authority
MITI	Ministry of international trade and inductry
MKSHR	Market per Share
Nasdaq	National Association of Securities Dealers Automated Quotations
NSE	National Stock Exchange
NXE	Nigerian Stock Exchange
NYSE	New York Stock Exchange
P0	Share Price
PLCs	Public Listed Companies
RE	Random Effects
REITs	Real Estate Investment Trust
ROA	Return on Asset
ROE	Return on Equity
ROIC	Return on Invested Capital
Rs	Rates
SAIL	Steel Authority of India Limited
SFA	Stochastic Frontier Analysis
STS	Single Tier Tax System
TAST	Total Asset
TISCO	Tata Iron and Steel Company Limited

TQM	Total Quality Performance
UK	United Kingdom
US	United States
USA	United States America

LIST OF APPENDICES

Page

Appendix 1- Eview Results- Combine Sector. 153

Appendix 2- Eview Results- Industrial Sector. 154

Appendix 3- Eview Results- Service Sector. 155

PREFACE

This research project is submitted in partial fulfillment of the requirement for Bachelor of Business Administration (Hons) Banking and Finance. Our supervisor on the project is Cik Zuriawati Bin Zakaria. The final year project is made solely by the authors yet it is based on the research of others and the resources are quoted as in references.

There are a lot of researches and studies conducted on this topic but yet, there is none of it doing studies about dividend determinants that affect shareholders' wealth of industrial and services sectors in Malaysia Listed Companies. We are interested to know more about the model of dividend policy in Malaysia. Thus, we chose the topic 'Impact of dividend policy on shareholder wealth: a case study in comparing industrial industry and service industry in Malaysia'.

Writing this thesis has been difficult but during the process we have learned how to deal with the conditions of some listed companies and their dividend policies. We strongly felt that the knowledge we learned from this research will help us in our future career.

ABSTRACT

This paper attempts to identify the impact of dividend determinants on shareholders' wealth in Malaysia. A sample of 52 listed companies in Industrial and Service Sectors is examined for a period from 2005 to 2009. The empirical estimation is based on a panel data regression analysis of the relationship between shareholders' wealth (market per share) and dividend determinants (efficiency, liquidity, profitability, growth, leverage and size). We have presented our result in the combination of industrial and service sectors, as well as the result for each particular industrial and service sectors. At first, the descriptive statistics for our entire variables were calculated and then correlation matrix was calculated to identify the preliminary relationship among all the variables, followed by regression analysis on panel data to examine the significance and coefficient of our variables. We found that the companies in Malaysia are widely practiced their dividend policies based on the theory of signaling effect. Firm size was found to have a positive impact on share price. On the other hand, the findings also revealed that liquidity and leverage indicators have no significant impact on shareholders' wealth in case of Malaysia. We determined that different sectors will behave differently towards dividend distributions. Efficiency and growth indicators are significant to our dependent variable in combined sectors and industrial sector, but insignificant in service sector. Profitability indicator, return on asset is significantly related to share price in combined sectors, however it is insignificant in particular industrial and service sectors.