THE IMPACT OF DIVIDEND PAYOUT RATIO ON FUTURE EARNINGS GROWTH: EVIDENCE FROM MALAYSIA

KHAIRUL ZHARIF BIN ZAHARUDIN

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THE IMPACT OF DIVIDEND PAYOUT RATIO ON FUTURE EARNINGS GROWTH: EVIDENCE FROM MALAYSIA

by

KHAIRUL ZHARIF BIN ZAHARUDIN

(803903)

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KOLEJ PERNIAGAAN  
(College of Business)  
Universiti Utara Malaysia  

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ABSTRAK


Kata kunci: dividen, polisi dividen, pertumbuhan keuntungan masa hadapan
ABSTRACT

It is argued that the payout ratio has positive impact on future earnings growth as suggested by Arnott and Asness (2003) and Zhou and Ruland (2006). The aim of this study is to determine the impact of dividend payout ratio on future earnings growth in Malaysia. There was no study in Malaysia that emphasizes on the influence of dividend payout on future earnings growth. The study uses 97 listed companies on Bursa Malaysia as sample, with 485 company-year observations. The regression analysis shows that dividend payout ratio has no impact on future earnings growth. The nature of companies' ownership in Malaysia is the possible explanation for the results.

Keywords: dividend, dividend policy, future earnings growth
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CHAPTER ONE
INTRODUCTION

1.0 Introduction
This chapter provides a discussion on dividend in Malaysia. Knowledge about
dividend policies in Malaysia is important especially to investors in helping them to
make a better financial decision. Section 1.1 highlights the characteristics of
dividend-paying companies and dividend policies in Malaysia. Section 1.2 provides
the argument on the importance to conduct this research. Section 1.3 presents the
research objectives of the study. The questions that need to be answered to achieve
the research objectives are presented in section 1.4. The significance of the study is
discussed in section 1.5.

1.1 Background of the Study
Dividend has been used as a mean to transfer excess funds from a company to its
shareholders. Dividend payment can be in the form of cash dividend or stock
dividend or both. Cash dividend involves outflow of funds from the company. Stock
dividend on the other hand does not affect a company’s cash level, but it will affect a
company’s number of shares outstanding. Shareholders who want to cash-in their
stock dividend will have to sell a portion of their shares, hence reducing their
percentage of shareholdings inside a company. Dividend payment is not an
obligation for a company; it is however will affect a company value by affecting its
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REFERENCES


