

**CORPORATE GOVERNANCE AND CASH FLOW AS DETERMINANTS OF
DIVIDEND PAYOUT**

By:

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Othman Yeop Abdullah Graduates School of Business,

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in Fulfillment of the Requirement for the Degree of Master of Science (Finance)

DECLARATION

I hereby declare that the project paper is based on my original work except for quotations and citations that have been duly acknowledged. I also declare it has not been previously or concurrently submitted for any other Master's programme at Universiti Utara Malaysia or other institutions.

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ABSTRACT

This study investigates the relationship between corporate governance characteristics and operating cash flow, including control variables (leverage and firm size) with dividend payout on the 100 largest companies listed on Bursa Malaysia's main board. It examines the roles of board size, CEO duality, individual ownership, managerial ownership, operating cash flow, leverage and firm size in influencing dividend payout performance. In general, the study contributed to the literature on dividend payout theory in Malaysia and supported the existing literature. Hence, the study used data of the 100 largest companies from all sectors are available in Bursa Malaysia but excluded financial sector companies and missing data. Furthermore, this study covered the data in the year 2012 within Bursa Malaysia. This study finds a positive relationship between board size, managerial ownership and operating cash flows. Managerial ownership and operating cash flows are significant, means it is strongly influenced dividend payout. Meanwhile, CEO duality, individual ownership and control variables (leverage and firm size) have a negative relationship with a dividend payout. These findings are consistent with previous studies by (Hafza & Mirza 2010; Zabihi & Ghaleb 2013).

Keywords: dividend, corporate governance, operating cash flow

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Sincerely,

Nor Hasmadila Mukhtar

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Dividend policy is one of the most importance issues in modern financial literature. It is one of the topics that has created the most interest, and thus has been extensively researched (Al-Gharaibeh, Zurigat, & Al-Harashsheh, 2013). Dividend policy is regarded as one of the most controversial subjects in finance among researchers. This situation has led to the emergence in a number of researchers who competed to write out the theoretical explanations about dividend policy. In previous studies, majority of the empirical work did not have sufficient explanations regarding the dividend policy matters and corporate values in firms (Al-Malkawi, 2007).

Dividend policy can be defined as a company's policy which determines the amount of dividend payment and also the amount of retained earnings a firm wish to invest back in a new business project. Dividend policy is also indirectly related to firm's capital structure. Different dividend policy requires different capital structure (Hashemijoo, Arkedani, & Younesi, 2012). Besides that, dividend has been used as a mean to transfer excess funds from a company to its shareholders either in the form of cash dividends or stock dividend. In a company, the cash dividend that will be paid will require outflow of fund from the company, meanwhile, stock dividend will affect a company's number of shares outstanding rather than company's cash level.

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APPENDIX 1

NO	COMPANIES	NO	COMPANIES
1	AEON CREDIT SERVICE	51	MALAYSIAN RESOURCES
2	AIRASIA BERHAD	52	MBM RESOURCES BERHAD
3	ALAM MARITIM RESRCS	53	MEDIA PRIMA BHD
4	AL-AQAR HEALTH	54	MKH BHD
5	AXIATA GROUP	55	MMC CORPORATION BHD
6	AXIS REIT	56	MNRB HOLDINGS BHD
7	BATU KAWAN BERHAD	57	MSM MALAYSIA
8	BERJAYA ASSETS	58	NAIM HOLDINGS BERHAD
9	BERJAYA CORP	59	NCB HOLDINGS BHD
10	BERJAYA LAND BHD	60	NESTLE (MALAYSIA)
11	BERJAYA SPORTS TOTO	61	ORIENTAL HOLDINGS
12	BINTULU PORT	62	PARKSON HOLDINGS
13	BOUSTEAD HOLDINGS	63	PAVILION REAL
14	BRITISH AMER TOBACCO	64	PETRON MALAYSIA
15	BUMI ARMADA BHD	65	PETRONAS DAGANGAN
16	CAHYA MATA SARAWAK	66	PETRONAS GAS BERHAD
17	CAPITAMALLS MALAYSIA	67	PJ DEVELOPMENT HLDGS
18	CHEMICAL COMPANY	68	PRESS METAL BERHAD
19	DIALOG GROUP BERHAD	69	PUNCAK NIAGA HLDGS
20	DRB-HICOM BERHAD	70	QL RESOURCES BHD
21	EASTERN & ORIENTAL	71	RESORTS WORLD BHD
22	EVERSENDAI CORP	72	RIMBUNAN SAWIT BHD
23	FRASER & NEAVE	73	SARAWAK OIL PALMS
24	GAMUDA BERHAD	74	SELANGOR PROPERTIES
25	GENTING BERHAD	75	SHIN YANG SHIPPING
26	GENTING PLANTATIONS	76	SIME DARBY BHD
27	GLOMAC BHD	77	SP SETIA BHD
28	GOLDIS BHD	78	STAR PUBLICATIONS
29	GUOCOLAND (M) BHD	79	SUNWAY BHD
30	HAP SENG CONSOLIDATE	80	SUNWAY REIT
31	HIAP TECK VENTURE	81	TA ANN HOLDINGS BHD
32	IGB CORPORATION BHD	82	TAN CHONG MOTOR
33	IGB REAL	83	TDM BERHAD
34	IJM LAND BHD	84	TELEKOM MALAYSIA BHD
35	IJM PLANTATIONS BHD	85	TENAGA NASIONAL BHD
36	IOI CORPORATION BHD	86	TH PLANTATIONS BHD
37	JAYA TIASA HLDGS BHD	87	TOP GLOVE CORP

38	JCY INTL	88	TROPICANA CORP
39	KECK SENG (M) BHD	89	TSH RESOURCES BERHAD
40	KPJ HEALTHCARE BHD	90	UEM SUNRISE
41	KUALA LUMPUR KEPONG	91	UMW HOLDINGS BERHAD
42	KULIM (MALAYSIA) BHD	92	UNITED PLANTATIONS
43	KUMPULAN PERANGSANG	93	UOA DEVELOP
44	KWANTAS CORP BHD	94	WAH SEONG CORP
45	LAFARGE MALAYSIA BHD	95	WCT HOLDINGS BHD
46	LBS BINA GROUP BHD	96	WTK HOLDINGS BHD
47	MAGNUM BHD	97	YNH PROPERTY BHD
48	MAH SING GROUP BHD	98	YTL CORPORATION BHD
49	MALAYSIA AIRPORTS	99	YTL HOSPITALITY REIT
50	MALAYSIAN BULK	100	YTL POWER INT'L BHD