CORPORATE GOVERNANCE AND CASH FLOW AS DETERMINANTS OF DIVIDEND PAYOUT

By:

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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-Harahsheh, 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.
The contents of the thesis is for internal user only
5.6 REFERENCES


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