HERDING BEHAVIOR IN DIVIDEND POLICY: 
CASE STUDY OF MALAYSIA

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HERDING BEHAVIOR IN DIVIDEND POLICY:
CASE STUDY OF MALAYSIA

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Katakunci: tingkah laku berkelompok; pematuhan antara industri; polisi dividen; polisi dividen di Malaysia
ABSTRACT

The purpose of this study is to prove the existence of the herding behavior in dividend policy and the tendencies of one company to follow others in the same industry in Malaysia. Consistent with previous research, this paper explores imitative influence on dividend policy in Malaysia. It will prove whether there is herding behavior in the dividend policy or not. The result shows that the imitative influence, herding behavior or intra-industry conformity in dividend policy exist in Malaysia. More than 80 percent of the responded companies in trade and services industry are paying dividend to their shareholder. This result also indicates that there is similarity in dividend payout among firms in the same industry. Overall, the results are consistent with imitation in dividend policy. This study documents the relevance of social imitation mechanism behind dividend payout behavior and therefore it will adds to the current knowledge of the existence of herding behavior in Malaysia.

Keywords: herding behavior; intra-industry conformity; dividend policy; dividend policy in Malaysia
ACKNOWLEDGEMENTS

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Nurul Nadiah Rusle (805102)
Project Paper
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<td>Dividend per share</td>
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<td>Board of Directors</td>
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<td>Div Dummy</td>
<td>Dummy variables for dividend</td>
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<td>DPO</td>
<td>Dividend Payout Ratio</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<tr>
<td>A.ROA</td>
<td>Average Return on Assets</td>
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<tr>
<td>A.Growth</td>
<td>Average rate of revenue growth</td>
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<td>A.DPO</td>
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<td>Std. Deviation</td>
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<tr>
<td>TD/TD</td>
<td>Total Debt deflated by Total Assets</td>
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<td>df</td>
<td>Degree of freedom</td>
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<td>Sig.</td>
<td>Significant</td>
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<td>OLS</td>
<td>Ordinary Least Square</td>
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<td>GLS</td>
<td>Generalized Least Square</td>
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<td>KLSE</td>
<td>Kuala Lumpur Stock Exchange</td>
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CHAPTER 1

INTRODUCTION

1.1 Introduction

Prior research such as the work by Michel (1979) purported that the relationship between dividend policy and firm valuation is still a major unresolved issue in corporate finance. Either theoretically or empirically, the research evidence proves to be contradictory. While financial theory is unequivocal on the inconsequence of dividend policy in perfect capital market, there is widespread recognition that payout policy in practice is controversial and not well understood. Moreover, with the presence of taxes and transaction costs, the dividend payment by the company is regarded as something of a dilemma. Nonetheless, a worthwhile field to venture into.
The contents of the thesis is for internal user only
REFERENCES


