

Dividend Policy and Shareholder Wealth: Evidence of Malaysia's Top Five Listed Food and Beverages Companies

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Abstract

Dividend policy is one of the most debated corporate issues due to unresolved dividend policy effects on shareholder wealth. Hence, this research aims to determine the relationship between dividend policy and shareholder wealth in Malaysia's top five listed Food & Beverages (F&B) companies with the largest market capitalization in 2019. The findings enable financial managers to implement an optimum dividend policy by distributing a reasonable dividend to its shareholders and retaining its growth and survival. Secondary data was collected from the annual report of the top five F&B companies for ten years (2009-2018). The Chow Stability Test, Pooled Ordinary Least Square model (POLS) and Hausman Test were utilised to determine the most appropriate model. Accordingly, Fixed Effect Model (FEM) was the best fit in this study. Results showed that Earnings Volatility (EV) and Dividend Per Share (DPS) had a positively significant relationship while the Dividend Payout Ratio (DPR) negatively correlated with shareholder wealth. Notably, the results show that DPS was the most significant factor associated with shareholder wealth. Future research may employ a larger sample size to increase the number of observations by enhancing the period quarterly and considering other sectors to be examined.

Keywords: Dividend Policy, Earning Per Share, F&B, Shareholder Wealth.

Introduction

The prime objective of a firm's management is to maximise shareholder wealth. The finance manager is responsible for conducting and operating in its shareholders' best interest due to the principal-agent relationship (De Wet & Mpinda, 2013). Furthermore, it must ensure that its shareholders' return is increased relative to its investment by maximising its value, measured by the price of its common stock (Pariyathambay & Navaratnaseelan, 2020). The shareholders' returns are in the form of capital gain upon increased share price and dividends, specifically when a company can generate sufficient distributable profit. Thus, finance managers should employ the best approach and determine the optimum dividend policy to achieve this goal.

The term 'dividend' is derived from the Latin word 'dividendum', defined as elements divided on a slice, which can be paid in cash or reinvested as retained earnings upon profit (Ullah et al., 2021). Thus, an optimum dividend policy is required, defined as decisions in expanding the shareholders' wealth by increasing the market value of the company shares, ensuring rapid economic growth (Azhagaiah & N, 2008). This policy is critical as it affects the capital structure and stock price (Bhargavi, 2020), which may also influence the taxation of investors. Therefore, the firm's decision to pay dividends must be reached through equitably apportioning for reinvestment or distribution in cash upon profitability (Githinji, 2016).

Investors are more interested in companies that pay dividends to meet their liquidity needs than retained earnings (Raed, 2020). Accordingly, these earnings become a source of internal funding when the company decides to reinvest the retained earnings. The company will be less dependent on external sources of funds, strengthening the owner's equity position (Surwanti & Pamungkas, 2021). Investors exhibit positive sentiments when companies pay regular and high dividends (Surwanti & Pamungkas, 2021), attracting potential investors and enhancing the firm's value, ultimately maximising the shareholder wealth. The dividend decision is one of the most critical elements emphasised by companies as theories frequently link this factor with market value (Thirumagal & Vasantha, 2018).

Meanwhile, dividend policy is a significant issue in the corporate world (Oladipupo, 2017), though there are conflicting views regarding the effect of the policy on firm valuation. This situation is due to the policy's uncertain effects on shareholder wealth and the dynamic aspects of dividends. A study introduced the relevance concept, which indicates that dividend policy influences the shareholder wealth and the firm's valuation (Lintner, 1956). However, a subsequent study presented the irrelevance concept, which indicated otherwise (Modigliani & Miller, 1961). Since the management's primary objective maximises shareholder wealth, the dividend payout could not impact that purpose.

The dividend policy encompasses the four critical decisions for finance managers, which contribute to the company's growth and shareholder's wealth maximisation. Hence, this idea begs the question of how these decisions will maximise its shareholders' capital. Previous studies presented mixed results on how the company's dividend policy increases shareholders' wealth through income reinvestment, extending its growth and dividend distribution. Some researchers perceived that there is a significant impact of dividend policy on shareholder wealth (Agila.M, 2018; Ansar et al., 2015; Azhagaiah & N, 2008), while others believe otherwise (Hashemijoo et al., 2012; Thirumagal & Vasantha, 2018). Furthermore, a study in Pakistan showed a low correlation between dividend policy and shareholder wealth which indicated an insignificant relationship (AsmaTahir & Raja, 2014). Thus, further research should be conducted to comprehensively understand this issue due to the conflicting result from these studies.

Researchers have no consensus on the relationship between dividend policy and shareholder wealth, primarily in Malaysia. Therefore, this research examines the dividend policy and shareholder wealth link among Malaysia's top five listed F&B companies and determine the most appropriate panel data model to describe shareholder wealth. Accordingly, the findings are helpful for finance managers in decision-making, enabling them to implement an optimum dividend policy that focuses on shareholder wealth creation. This idea can be achieved by distributing reasonable dividends to its shareholders retaining its growth and sustainability. Furthermore, this research is significant to investors or shareholders to understand the crucial dividend policy affecting their wealth and determine the most appropriate profitable investments.

For academicians, this research adds to the body of knowledge and contributes to the academic literature on the relationship between dividend decisions and shareholder wealth maximisation. The rest of the paper is constructed as follows: The subsequent section provides the literature review hypothesis development, followed by the research methodology. The fourth section will present the data analyses and findings, and section five presents the discussions on the direction for future research.

Literature Review and Hypothesis Development

The effect of dividend policy on shareholder wealth is studied in India's organic and inorganic chemical companies (Azhagaiah & N, 2008). The author utilises the multiple regression method and stepwise regression models, using samples from 1996-1997 and 2005-2006. Accordingly, the findings indicate that the main five independent variables significantly influenced shareholder wealth. These variables were Improvement of profit margin, growth in sales, capital structure decisions, capital investment decisions (working capital and fixed capital) and cost of capital (dividend on equity, interest on debt). Moreover, the organic chemical companies exhibited a statistically significant relationship between dividend policy and shareholder wealth. However, dividend payout did not impact shareholder wealth in the inorganic chemical companies. In other words, this study presented a strong relationship between dividend policy and shareholder wealth.

A similar result was found in Pakistan from the Karachi stock exchange, which is based on 30 companies from various sectors, such as textile, cement, and chemical (Ansar et al., 2015). The study measures shareholder wealth using the market share price. Meanwhile, Dividend Per Share (DPS), retained earnings, lagged price, and Return On Equity (ROE) were independent variables. Accordingly, the findings found a significant link between shareholder wealth and dividend policy. Correspondingly, a study in the same country found a consistent result with the firm's performance (Farrukh, Irshad, Khakwani, Ishaque, & Ansari, 2017). The variables include dividend policy, shareholder wealth, and firm performance. DPS and dividend yield measure dividend policy, while Earnings per share (EPS) and share price are proxies for shareholder wealth.

Besides that, Agila.M (2018) presented similar results with the above studies (Azhagaiah & N, 2008; Ansar et al., 2015; and Farrukh et al., 2017), which focused on listed cement companies from 2013-2014 and 2017-2018. The study concludes that dividend policy positively impacts shareholder wealth and firm performance. Furthermore, a moderate positive association was found between dividend policy and shareholder wealth in Australia's retailing industry from 2012 to 2017 (Nambukara-Gamage & Peries, 2019). It is consistent with the study on quoted commercial banks in the Nigerian market (Ayunku & Aperi, 2020), which confirms that dividend policy is relevant to firms' value. Finally, a study investigated Pakistan's Chemical oil & gas sector companies from 2011 to 2015, listed in the Pakistan stock exchange (Ullah et al., 2021). They found that dividend policy increases shareholder wealth, which plays a crucial role in providing the present information indicating its performance.

Furthermore, Hashemijoo et al (2012) asserted that dividend yield and payout could positively influence share price volatility. This study selected 84 listed companies under consumer product in Bursa Malaysia's central market, employing multiple regression from 2005 to 2010. Moreover, Thirumagal and Vasantha (2018) studied the effect of dividend policy on shareholder wealth and the impact of dividend announcement on the share price, utilising data from 2001 to 2015. The study was conducted in India and involved five significant industries: automobile, energy, pharmaceutical, infrastructure & construction, and

information technology. Most companies' panel data regression results showed that dividend payout exhibited a significant relationship and negatively impacted shareholder wealth.

Besides that, another investigation was conducted in Pakistan for the oil and gas exploration industry from 1999 to 2006 (AsmaTahir & Raja, 2014), which utilised a statistical tool involving correlation and regression methods. The independent variable is measured by price-earnings ratio, payout ratio, BV/MV equity ratio, while holding period return is the dependent variable. This study indicated a low correlation between the independent and dependent variables, signifying an insignificant linkage between dividend policy and shareholder wealth. Overall, this study perceives that the dividend policy potentially positively and significantly impacts shareholder wealth. Hence, there is a potential relationship between dividend policy and shareholder wealth in Malaysia's top five listed Food & Beverages (F&B) companies.

Dividend Irrelevance Theory

This theory was proposed by Miller and Modigliani in 1961, where they argued that paid dividends and its payment announcement do not impact the market value. A company's dividend policy does not influence its value but exclusively influences its investment policy (Inyang et al., 2020). This theory mentioned that the company's value is influenced by the investment risk and its earning power, based on its decision on earnings distribution or reinvestment. However, investors are indifferent whether their return is in the form of dividends or capital gain, as they can sell their stocks whenever they require cash (Enebrand & Magnusson, 2018).

Dividend Relevance Theory

The dividend relevance theory was introduced by Gordon (1959) and substantiated by (Walter, 1963). The theory describes that dividend policy significantly impacts shareholder wealth and firms' values. The current dividend distribution reduced uncertainty for investors, in which they place a significant value on the company's share price (Iqbal, Waseem, & Asad, 2014). The current dividend indicates less risk, a sign of excellent financial performance and positively affects the stock price (Enebrand & Magnusson, 2018). In essence, this theory established that dividends are vital for determining share price due to the relationship between dividends and a company's earnings.

Hypothesis Development

Impact of Dividend Payout Ratio (DPR) on Shareholder Wealth

A study conducted a regression analysis to establish the link between DPR and company's performance of listed companies in the Nairobi Securities (Murekefu & Ouma, 2012). The result indicated that dividend payout was the primary determinant of firm performance, and the link was positive and concrete. Meanwhile, Zakaria et al (2012) presented similar findings on the Malaysian listed construction and material firms, specifically regarding the dividend policy effect on share price volatility. This study employed the least-square regression, indicating DPR's significant influence on the changes in share price. Correspondingly, Mokaya et al (2013) found that dividend payout positively correlates with market share value. This study argues that the steady and growing dividend payment announced in the firm's payout ratio increases its shareholders' share value.

Another study analysed 63 non-financial companies listed on the Bucharest Stock Exchange from 2001 to 2011 (Anton, 2016), utilising the fixed-effect model, which established DPR's positive correlation with company value. In Nigeria, the investigation on listed oil and gas

companies showed that DPR positively influenced EPS from 2007 to 2016 (Kolawole et al., 2018). Notably, companies that regularly pay dividends frequently increase their shareholder confidence and willingness to invest in them. This phenomenon is because investors prefer a certain level of current income rather than uncertain returns in the future (Mokaya et al., 2013). Hence, this situation increases their equity and provides more funds to exploit investment opportunities, enhancing capital growth and influencing financial performance.

Contrastingly, researchers established a negative relationship between DPR and shareholder wealth. For instance, Hashemijoo et al (2012) studied 84 out of 142 consumer product companies listed in the primary market of Bursa Malaysia. An inverse link was found between share price volatility and dividend policy, measured by dividend yield and payout. Consistently, Lashgari and Ahmadi (2014) indicate that DPR adversely affects the stock price volatility of the Tehran Stock Exchange from 2007 to 2012. In the effect of return rate, companies that pay a small dividend are more valuable than their assets due to their growth potential.

Similarly, Neelanjana and Hassan (2019) focused on 35 of the dividend and non-dividend paying companies listed on the Malaysian Stock Exchange from 2008 to 2017. The results show that dividend payout, firm size, and Earnings Volatility (EV) had a significant negative relationship with share price volatility. However, Ilaboya and Aggreh's (2013) study reported that dividend payout exerts little influence on share price volatility across companies listed in the Nigerian Stock Exchange Market. The regression analysis was utilised in this approach, including the pooled OLS and Panel EGLS. Moreover, the payout confirms the irrelevancy theory, in which dividend policy does not influence shareholders' returns in a perfect market as it excludes value gain for investors and shareholders.

Market value will ultimately be influenced as shareholders add value to their shares when steady and growing dividend payments are in the firm's payout ratio. This idea indicated that the dividend payout is relevant to shareholders' wealth maximisation, and thus the study postulates the following hypothesis

H₁: There is a significant relationship between the DPR and shareholder wealth.

Impact of EV on Shareholder Wealth

Previous research indicated EV as a critical measurement to predict future earnings by taking operating net income to total assets (Nazir et al., 2010). The ratios are also known as return on asset or investment ratios. Other studies supported this idea where ROA is considered the determinant of the share price (Asghar et al., 2011). Therefore, EV is utilised as a proxy representing the dividend policy, which becomes one of the independent variables. For instance, Hashemijoo et al (2012) examined listed firms under the consumer product in the Malaysian stock market by running multiple regression from 2005 to 2010. The empirical results showed that earnings volatility significantly influence share price volatility.

Meanwhile, Nazir et al (2010) analysed 73 companies from the KSE-100 index between 2003 and 2008, which found that EV exhibited a positive and significant relationship on stock price volatility. Accordingly, the fixed and random effect regression models were employed to identify the suitable method in examining the relationship between the independent and dependent variables. However, other researchers found an inverse relationship between EV and shareholder wealth. For instance, Allayannis and Weston (2003) presented empirical results that investors negatively perceive EV. These results are consistent with the risk

management theory, suggesting firm value is added if the managers can produce transparent financial statements.

The findings above are consistent with the behaviour of various market participants focusing on earning as a signal of financial stability. Essentially, the firm value is perceivably decreased when the earnings volatility increases. For instance, a recent study utilised the Pearson Correlation Analysis and Multiple Linear Regression to examine the link between the independent variables and share price volatility (Neelanjana & Hassan, 2019). The study involves 35 of Malaysia's listed manufacturing companies that encompass dividend and non-dividend payers, which found the earnings volatility increases upon elevated price volatility. Hence, the results confirm that firms are subjected to risk as their earnings become more volatile, causing them to distribute lower dividends (Nishat & Irfan, 2006).

The above study stated that the company paid the shareholder's dividends from the company's generated profit. Therefore, the firms' earnings are expected to be one of the significant determinants influencing dividend policy. However, Lashgari and Ahmadi (2014) indicated an insignificant impact of EV towards price volatility in the Tehran Stock Exchange between 2007 and 2012. This study selected 51 companies from the statistic communities, where a similar result was found by (Zakaria et al., 2012). Arguably, earnings volatility affects shareholder wealth since it signals a company's financial stability. Thus, numerous market participants focus on share price volatility and firm value volatility, which is hypothesised as follows

H₂: There is a significant relationship between EV and shareholder wealth.

Impact of Long Term Debt on Shareholder wealth

The impact of short term debt, long term debt and equity were studied on company value, utilising quarterly data of 127 firms indexed in ISE-XUSIN from 2004 to 2007. It was revealed that the company's debt significantly affected its value (Altan & Arkan, 2011). On a similar note, Lixin and Lin's (n.d.) study examined the link between debt financing and market value of 272 Chinese real estate firms from 2002 to 2007. The study found that long-term borrowing and commercial credit financing positively correlate with the firm's market value., albeit is negatively related to the firm's short-term borrowing. Meanwhile, Anton (2016) used employed listed companies in Romania from 2001 to 2011, where the fixed effects model showed that investors positively perceive companies that paid higher dividends. Since dividend payment is positively impacted by leverage, increasing debt will increase the firm's value, attracting potential investors.

On the contrary, Apergis and Sorro (2010) examined the effect of long-term debt on the firm value for international listed manufacturing firms. The results showed that the obligation of long-term leverage adversely affected the firm's value. This finding is comparable to Nazir et al (2010), who investigated the effect of corporate payout policy on stock price volatility. The study employed the variables such as size, leverage, growth and earnings and found that size and leverage negatively influence stock price volatility. Although the results were not substantiated, they were consistent with the behaviour of emerging stock markets such as Pakistan. Furthermore, Rahman (2018) revealed an insignificant relationship between long-term debt and shareholder wealth. The research determined whether shareholder wealth could be influenced by dividend policy in Pakistan, involving the Pakistan Stock Exchange cement sector from 2012 to 2016.

Based on the above arguments, The increase in long term debt potentially maximises the shareholder wealth as it enables companies to finance their current investments, providing them with adequate funds for growth. In other words, debt increases the firm's value simultaneously will attract the potential investor. The following hypothesis is determined:

H₃: There is a significant statistical relationship between Long Term Debt Ratio (LTDR) and shareholder wealth.

Impact of DPS on Shareholder wealth

Dividend per share is the sum of dividends announced by a company divided by the outstanding ordinary shares issued. It is declared by the companies for their outstanding shareholders and is a vital tool in dividend policy to determine the shareholder wealth (Farrukh et al., 2017). Previous researchers employed DPS as a proxy of dividend policy. For instance, Closure & Hillside (2020) stated that DPS is significant in predicting the firm's value as it is the amount paid by companies vis-à-vis the ordinary share issued. Notably, DPS is relevant for potential investors in evaluating various stocks to invest in by preferring companies that offer higher dividends. Hence, it will increase the firm's value and directly impact the shareholder wealth.

A study sampled 30 firms from the Karachi stock exchange from 2006 to 2011 and found a positive link between shareholders' wealth and DPS, retained earnings and ROE (Ansar et al., 2015). However, it did not support the irrelevancy theory of dividends in Pakistan since dividend has a signalling effect. Moreover, a study of Sri Lanka's listed manufacturing companies found similar results: DPS, DPR, and ROE have a significant positive linkage with shareholder wealth (Balagobei & Selvaratnam, 2015). Consistently, Farrukh et al (2017) showed that DPS is positively linked to shareholder wealth as investors perceive the company's reputation, and its issue for new shares could maximise its funds. This idea enhances the companies' earnings and shares price, indicating that the high dividend distribution increases shareholder wealth (EPS). Given these points, maximising the dividend payment to the shareholders is a robust approach to maximising shareholder wealth.

Similarly, Agila (2018); Rahman (2018) conducted a study in Pakistan's cement sector. The former study employed 25 listed cement companies in India from 2013-2014 and 2017-2018, while the latter extracted data from the Pakistan Stock Exchange from 2012-2016. It was found that the ROE is positively linked with DPS, indicating that maximising the DPS cost enhances the ROE for the selected companies. Accordingly, DPS is relevant as dividend encompasses the income from investment activities, and most investors frequently focus on its volatility, contributing to shareholders' wealth. Thus, the study postulates the following hypothesis

H₄: There is a significant statistical relationship between DPS and shareholder wealth.

Research Methodology

A quantitative panel data approach is used to measure the relationship between the dividend policy and shareholder wealth. The secondary data was collected from the companies' annual report between 2009 and 2018, extracted from the Thomson Reuters DataStream. The research determined the impact of the independent variables, DPR, EV, LTDR, and DPS, on the shareholder wealth (dependent variable) represented by EPS. The panel data was selected from the sample of the top five listed companies of F&Bs sectors with the highest market capitalisation in 2019, specifically in the primary market of Bursa Malaysia. The companies

include Nestle (Malaysia) Berhad, Dutch Lady Milk Industries Berhad, Fraser & Neave Holdings Bhd (F&N), Ajinomoto (Malaysia) Berhad, and Hup Seng Industries Berhad.

Moreover, Chow Stability Test is used to check for poolability, in which Pooled Ordinary Least Square model (POLS) is utilised if the data is not significant. If the data is significant, the Hausman Test will be conducted to determine which model fits the sample, namely the Fixed Effect and Random Effect model. This approach is employed to investigate the significance of the independent variables to the dependent variables. Finally, the Earning Per Share (EPS) will proxy the shareholder wealth. The regression model on this research is as below:

$$EPS_{i,t} = \beta_0 + \beta_1 DPR_{i,t} + \beta_2 EV_{i,t} + \beta_3 LTDR_{i,t} + \beta_4 DPS_{i,t} + \varepsilon_{i,t}$$

EPS = Earnings Per Share

β_0 = Intercept for the regression model

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression Coefficient

DPR = Dividend Payout Ratio

EV = Earnings Volatility

LTDR = Long Term Debt Ratio

DPS = Dividend Per Share

ε_i = Error Terms of the Regression Model

Table 1

Sources and Explanation of Variables

Variable	Proxy	Explanation	Unit Measurement	Sources
EPS	EPS = (Earning after tax- Preferred Dividend/Number of Outstanding Share)	EPS is used to determine the market values of the company's shares.	RM	(Silviana & Rocky, 2013)
DPR	DPR = (DPS/EPS)	The DPR is calculated as DPS divided by EPS.	Percentage (%)	(Habib, Kiani, & Khan, 2012)
EV	EV = (EBIT/Total Assets)	EV is measured by taking the ratio of operating earnings to total assets.	Ratio (%)	(Nazir et al., 2010)
LTDR	LTDR = (Long term debt/Total Assets)	LTDR is measured by the long term debt to total assets ratio.	Ratio (%)	(Apergis & Sorros, 2010; Lixin & Lin, n.d.)
DPS	DPS = (Annual Dividend/Number of Outstanding Share)	A DPS is the sum of dividends declared by a company, divided by the number of outstanding ordinary shares issued.	Ratio (%)	(Kapoor, 2016)

Results & Findings

Descriptive Analysis

Table 2

Descriptive Statistic for EPS and Explanatory Variables (2009-2018)

Variables	Mean	Median	Maximum	Minimum	Std. Dev	Skewness
EPS (RM)	1.161580	0.904000	3.083000	0.048000	0.903608	0.500458
DPR (%)	80.72776	84.81500	167.5680	10.94700	33.24010	0.153744
EV (%)	24.33480	24.20700	49.73200	9.106000	11.98449	0.386513
LTDR (%)	6.552660	3.824500	26.08000	1.017000	6.101146	1.629440
DPS (RM)	1.042620	0.575000	2.800000	0.030000	0.981037	0.603331

Notes: EPS is denoted as earning after tax-preferred dividend/number of outstanding shares; DPR is DPS/EPS; EV is EBIT/total assets; LTDR is long term debt/total assets; DPS is annual dividend/number of share outstanding.

The table above indicates a descriptive analysis for EPS as dependent variables and its explanatory variables (DPR, EV, LTDR, and DPS) from 2009 to 2018. The table shows the mean EPS at 1.161580, the median as 0.90400, the maximum at 3.083000, and the minimum as 0.048000. Moreover, EPS is skewed to the right as the skewness is more than 0 (0.500458) since the mean EPS is more than the median. Meanwhile, all the independent variables are skewed to the right as the positive outcome. DPR is highest among independent variables with a standard deviation at 33.24010, followed by EV at 11.98449, LTDR at 6.101146, and DPS at 0.981037.

The result above shows that DPR has the highest maximum value at 167.5680 while DPS presented the lowest minimum value at 0.0300. Subsequently, the Jarque-Bera test of normality is utilised to determine the normality of error terms. The null hypothesis failed to be rejected since its p-value is more than a five per cent significance level, and thus, this error term is normally distributed. Furthermore, the data is normally distributed, indicated by the low skewness demonstrated in Table 2.

Correlation Test

Table 3

Result of Correlation Test

Correlation t-Statistic Probability	EPS	DPR	EV	LTDR	DPS
EPS	1.000000 ----				
DPR	0.283815** 0.0458	1.000000 ----			
EV	0.730058*** 0.0000	0.444665*** 0.0012	1.000000 ----		
LTDR	0.262740* 0.0653	0.085280 0.5560	0.101224 0.4843	1.000000 ----	
DPS	0.866421*** 0.0000	0.593798*** 0.0000	0.668525*** 0.0000	0.255421* 0.0734	1.000000 ----

Notes:* Significant at 10%, ** Significant at 5%, *** Significant at 1%. EPS is Earning after Tax-Preferred Dividend/Number of Share Outstanding; DPR is DPS/EPS; EV is EBIT/Total Assets; LTDR is long term debt/Total Assets; DPS is annual dividend/number of share outstanding.

Table 3 demonstrates the correlation test, showing that the independent variables are not highly correlated, denying the multi-collinearity in the regression model.

Multiple Regression

Table 4

Multiple Regression Results (Fixed Effect Model)

Independent Variable	Dependent Variable: EPS		
	Coefficient	T-Statistic	Probability
DPR	-0.003395	-2.080395	0.0438**
EV	0.052540	9.412338	0.0000***
LTDR	-0.012255	-1.203536	0.2357
DPS	0.387695	3.901408	0.0003***
Constant	-0.166765	-0.908340	0.3690
R ²	0.951653		
Adjusted R ²	0.942220		
F-statistic	100.8798***		
Number of Observation	50		
Poolability Statistic	11.695519***		
Hausman Statistic	46.782078***		
Durbin Watson Test	1.060811		

Notes: * Significant at 10%, ** Significant at 5%, and *** Significant at 1%.

Poolability Hypothesis Test and Hausman Test

Table 4 shows the poolability statistic indicating a one per cent significance level, thus rejecting the null hypothesis of the Poolability Hypothesis test. In other words, there is no common intercept across the top five listed F&Bs companies in Bursa Malaysia. Therefore,

since it is significant, the Hausman test is needed to select a suitable model, i.e., the Fixed Effect Model (FEM) or Random Effect Model (REM). The cross-section chi-square statistics show that the model is at a one per cent significance level, rejecting the null hypothesis of the Hausman test, and thus, the FEM is chosen for this research. Notably, this model exhibits a low possibility of having multi-collinearity issues, further justifying its selection.

Multiple Regression Analysis

Table 4 denotes that the model's R^2 is 0.951653, indicating 95.1653%. This result implies that 95.1653% of the EPS variations is denoted by the explanatory variables, i.e., DPR, EV, LTDR and DPS, while other variables explain 4.8470%. Furthermore, the multiple regression results in Table 4.3 display that the model is statistically significant at a one per cent significance level. This result is because the F-Test's probability is at 0.000000, meaning the null hypothesis is rejected. Hence, at least one independent variable (DPR, EV, LTDR, and DPS) is significant in explaining the shareholder wealth.

Furthermore, the multiple regression of the DPR p-value is less than the significance level ($0.0438 < 0.05$), thus rejecting the null hypothesis, H_0 . Accordingly, there is a significant and negative relationship between DPR and shareholder wealth in the specified F&Bs companies. On a similar note, EV is positively significant with EPS since the p-value is lower than the significance level ($0.0000 < 0.01$). Hence, the null hypothesis, H_0 , is rejected, signifying a significant relationship between EV and shareholder wealth. However, the p-value of LTDR is higher than the significance level ($0.2357 > 0.05$), denoting the failure to reject the null hypothesis H_0 . Therefore, there is no significant relationship between LTDR and EPS. Finally, the DPS p-value is less than a one per cent significance level ($0.0003 < 0.01$), rejecting the null hypothesis (H_0), clarifying a significant relationship between DPS and EPS. According to the findings, the regression model thus becomes; Y

$$EPS = -0.166765\alpha - 0.003395DPR + 0.052540EV - 0.012255LTDR + 0.387695DPS + \varepsilon$$

The Multiple Linear Regression model above shows a negative constant (0.166765). Meanwhile, DPR and LTDR show a negative relationship, indicating that for every one per cent increase, the EPS will be decreased by RM 0.003395 and RM 0.012255, respectively. However, EV and DPS are positively associated with EPS. This result shows that at every one per cent increase in EV and DPS, the EPS is maximised by RM 0.052540 and RM 0.387695, respectively.

Discussion

Dividend Payout Ratio

Referring to the regression results, DPR is negative and statistically significant with shareholder wealth in the specified F&Bs companies, supported by various researchers (Hashemijoo et al., 2012; Lashgari & Ahmadi, 2014; Neelanjana & Hassan, 2019). Notably, Hashemijoo et al (2012) supported the return rate effect due to their growth potential. Companies that pay small dividends are likely to be considered more valuable than their existing assets. Furthermore, rising dividends and low earnings are caused by the management policy to retain investors. This situation occurs when future earnings are predicted to decrease. Thus, a quarterly increase in dividends will satisfy investors and prevent them from selling stocks upon diminished income (Murekefu & Ouma, 2012). Moreover, when the dividend payout increases, the funds are decreased, which are reinvested by companies, lowering their earnings.

Earnings Volatility

The result shows that EV is positively significant towards shareholder wealth in the specified F&Bs companies, consistent with Hashemijoo et al (2012) results. The study showed that EV exhibited the most significant effect on share price volatility. Despite facing significant risks, companies with high EVs and substantial earnings tend to pay higher dividends to increase shareholder wealth (Nazir et al., 2010). Moreover, the positive signal of the EV coefficient shows that the results are consistent with the theory of signalling effect. Zameer et al (2013) stated that the managers could forecast the firm's earnings since they are the firm's insiders. Hence, managers may pay more dividends to their shareholders as risk prevention, resulting from earnings mismanagement. This result implies that the specified F&Bs companies are more likely to pay higher dividends to their shareholders due to high EV. Thus, there is a positive correlation between this interpretation variable and shareholder wealth.

Long Term Debt Ratio

Based on the model's regression results, LTDR was insignificant towards shareholder wealth in the specified F&Bs companies. The negative sign of the LTDR coefficient is supported by other researchers (Apergis & Sorros, 2010; Nazir et al., 2010). Apergis and Sorro (2010) found out that long term debt negatively impacts the firm's value. Accordingly, the firm's value can be estimated by looking at the company's capital structure, comprising long-term debt and the stock value. Furthermore, the study indicated that substantial long term debt would incur high-interest expenses, resulting in low EPS. This condition will worsen if the firm goes bankrupt and the shareholders are last to be paid.

Moreover, Nazir et al (2010) asserted that leverage negatively affected stock price volatility in Pakistan from 2003 to 2008. In this case, investors do not perceive debt as a positive sign of performance and that the high financial leverage is associated with significant financial debt. Therefore, companies will increase the interest payment, which negatively contributes to the firm's performance (Rahman, 2018). Hence, the EPS is likely to be reduced as leverage increases, signifying that LTDR is inversely associated with shareholder wealth. This situation is because shareholders are residual owners receiving the remaining claims on the company's earnings and settled assets. However, this result is insignificant and indicates a weak correlation. This idea denoted that LTDR is insignificant compared to other independent variables influencing shareholder wealth.

Dividend Per Share

Regarding the regression findings of this model, the DPS coefficient is positively significant with shareholder wealth in specified F&Bs companies, consistent with previous findings (Ansar et al., 2015; Balagobei & Selvaratnam, 2015; Farrukh et al., 2017) researched Pakistani companies from 2006 to 2011, revealing positive results when the company pays its earnings in cash dividends to its shareholders. This phenomenon is because dividends exhibit a signalling effect that shows the firm's financial situation, consequently attracting investors. Similarly, Farrukh et al (2017) asserted that the situation is due to investors' perception of the company's good image. The companies that issue new shares potentially maximise its fund for expansion. Given these points, the company's earnings will increase, elevating the share price. In other words, the higher dividend distribution upsurges the shareholder wealth (EPS). Notably, the result showed that this link is the best dividend policy to impact shareholders' wealth in the specified F&Bs companies.

Conclusion

The research determined the impact of DPR, EV, LTDR, and DPS (independent variable) on the shareholder wealth (dependent variable), represented by EPS. This study employed data from the annual reports of sample companies, specifically between 2009 and 2018. Subsequently, a quantitative panel data approach was utilised to measure the association between dividend policy and shareholder wealth. Furthermore, the Chow Stability Test, Pooled Ordinary Least Square model (POLS), and Hausman Test were utilised to select the most suitable model. Accordingly, the Fixed Effect Model (FEM) was the best fit in this study. The result found that only LTDR was insignificant with shareholder wealth while the other independent variables exhibited a statistically significant relationship.

Moreover, DPS presented the most significant factor influencing shareholder wealth than other independent variables. Therefore, the findings enable policymakers and financial managers to optimise a dividend policy that focuses on the shareholders' wealth creation. This idea can be achieved by distributing a reasonable dividend to its shareholders, ensuring growth and sustainability. Based on this information, investors can precisely judge which industries and companies to invest in to accomplish their goals. However, this research presented several limitations, including an insufficient sample size. This predicament is because the research exclusively emphasised the top five companies with large market capitalisation out of 40 companies.

Future research may employ a larger sample size to increase the number of observations by enhancing the period quarterly. Moreover, this research is limited to only one measurement of shareholder wealth, namely EPS. Therefore, other measurements for shareholder wealth, such as Economic Value Added (EVA), Market value, and Earnings Before Interest and Tax (EBIT) can be utilised. These implementations will enable varied results; thus, a better comparison can be established. Overall, this research paves potential avenues for future research.

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