IMPACT OF COMPANY DIVIDEND POLICY ON STOCK PRICE VOLATILITY IN FOOD AND BEVERAGE INDUSTRY IN MALAYSIA

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Abstract
Investor expectations are greatly shaped by a company's dividend policy, which also has an impact on stock price volatility. This study attempts to investigate how corporate dividend policies affect stock price volatility in Malaysia's food and beverage sector. This research aims to provide light on the dynamics of dividend decisions and their impacts on market behavior by examining the relationship between dividend policy and stock price volatility. Utilizing secondary data gathered from publically accessible sources, including financial statements and stock market data, the study uses a quantitative research design. For the analysis, a sample of 30 food and beverage companies that are listed on the Bursa Malaysia stock exchange is chosen and 16-years period (2005-2020) been analyzed. To allow for a comparison examination, the sample contains both dividend-paying and non-dividend-paying enterprises. Regression analysis and descriptive analysis are two statistical methods that are used to analyze the link between dividend policy and stock price volatility. The results show that food and beverage stock price volatility is most significantly impacted by dividend yield and payout. The findings shall improve knowledge of the relevance of dividend policy choices and their possible impacts on stock market dynamics among investors, policymakers, and market players.

Keywords: Malaysia, Financial performance, Market behavior, Stock price volatility, Food and beverage industry.

INTRODUCTION

The food and beverage (F&B) sector in Malaysia is rapidly expanding, and the nation is one of the top two exporters in the world thanks to its top-selling fats and oils, particularly products made from palm oil. Multinational corporations (MNCs) with manufacturing operations in Malaysia, both domestic and foreign, are also noteworthy. Malaysia is a net importer of food due to the high demand for imported F&B products for domestic consumption. In general, all sizes of individual and institutional investors could view the new media to learn about changes in stock prices. Share prices are the most important variables that investors consider when deciding whether or not to invest in a specific share. Their main objective when investing in the stock market is to maximize projected return with the least amount of risk. Psychological factors affect the volatility or price fluctuations.

The method by which dividends are paid to shareholders, according to Sirvastav (2022), depends on the dividend policy of the company, which specifies the proportion of the dividend amount paid to shareholders and how frequently it is paid to the company. The primary objective of a shareholder is typically to generate a profit, or a specific rate of return on investment, and profit from the difference between the selling price and the purchase price of the shares.

It is difficult to apply the patterns of stock returns during these times because this industry does not always advance consistently on weekends, during holidays, and during other times of the year. In order to produce a clear picture of the company's position within the food and beverage industry, a new mechanism is therefore required to measure stock price volatility in the market with the impact of company dividend. Issues with dividend policy range from Black's (1976) conundrum to Miller's irrelevance and Modigliani's (1961), and DeAngelo (1996). The choice of whether to distribute the company's profits as dividends to shareholders or to invest them in new business ventures is one of the most crucial ones in corporate finance. What portion should be given back to the business? Management should think about a dividend strategy that maximizes shareholder wealth in order to respond to this question. Since investors are by nature risk averse, the level of investment volatility is significant to them as a gauge of the level of risk they are exposed to.

Singh and Tandon (2019) claim to have examined the effect of dividend policy on the share price of stocks listed on the US National Stock Exchange from 2008 to 2017. For their analysis, Singh and Tandon used panel data and pooled regression models with fixed and random effects. The random-effects model was determined to be the best model to analyze the relationships between these variables using the Hausman test, which was used to choose an appropriate model. According to a study by Singh and Tandon, dividend policy significantly affects stock prices. The main issue with dividend policy is that it could lead to a drop in the company's stock price as a result of high dividend payments to shareholders. However, Andiani & Gayatri (2018) assert that if the dividend payment's value rises, the business will eventually generate profits, which will raise the stock price (Erfiana and Ardiansari, 2016).

In-depth research in this area is scarce, particularly in Malaysia's food and beverage industry. Therefore, it is important to keep an eye on the variables that affect share price volatility for companies listed on the Malaysian Stock Exchange. Western Governors University (2021) claims that the way dividend policies are typically portrayed communicates a company's financial health and value, fosters loyalty among shareholders, and increases demand for shares. Previously, a sample of 35 publicly traded companies that paid dividends and non-dividends listed companies that stated in the manufacturing of chemicals, household goods, and consumer goods between 2008 and 2017 on the Malaysian stock exchange (Hassan and Neelanja, 2019). However, no other studies have examined the effect of dividend policy on stock price volatility in the Food and Beverage sector listed on Bursa Malaysia. According to Herawati and Putra (2018), investors should analyze fundamental analysis that drives stock prices. Usually, fundamental analysis predicts future stock prices that consider estimating the values of fundamental factors that will affect future stock prices in stock market. Therefore, the objective of the study to examine the impact of dividend policy on stock price volatility in Malaysia particularly in food and beverage firm listed in Bursa Malaysia. The study shall have implication to investor industries, and policy maker.

LITERATURE REVIEW

The concept of dividend policy was first brought to light in 1956 by the work of (Lintner, 1956). Lintner demonstrated that most American businesses tend to raise their dividends when they anticipate steady net income growth. Then, assuming a perfect capital market, Miller and Modigliani published their no-dividend theory in 1961. They clarified that shareholders have no bearing on the dividend policy. Therefore, the stock price is automatically decreased by the dividend per share a shareholder receives on the ex-dividend date if a company elects to distribute profits as dividends. According to their argument (Miller and Modigliani 1961), the dividend policy would not affect shareholder returns in a perfect market.

Dividends are generally paid by a company to its shareholders on a regular basis. However, funds that could otherwise be used to pay dividends are often reinvested in the