DIVIDEND POLICY EFFECTS ON FIRMS' VALUE IN MALAYSIAN PLANTATION SECTOR

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ABSTRACT

Dividend policy relay information regarding the dividend decision made by the firm, and it is crucial to the shareholders and investors due to the potential impact on the value of a firm. This study aims to investigate the influence of dividend policy and firms' value for the plantation sector in Malaysia. Thus, the determinants for dividend policy are dividend payout ratio, price earnings ratio, and earnings per share while the firms' value is represented by Tobin's Q. Based on a quantitative approach, 44 firms of plantation sectors listed in Bursa Malaysia from 2016 to 2019. The data were collected from the published annual reports and audited financial statements of the local plantation firms and analyzed using EViews version 10. Based on the findings, the dividend payout ratio has a negative significant relationship with firms' value. The price earnings ratio has a negative influence on firms' value while earnings per share have a positive influence on firms' value. However, these relationships were reported as insignificant. This study attempts to contribute to the body of knowledge and highlights the valuable implication to the management, stakeholders, and policy makers of the plantation sector in Malaysia.

Keywords: Plantations, Dividend Payout Ratio, Price Earnings Ratio, Earnings Per Share, Firms' Value

INTRODUCTION

Malaysia's economic environment is showing rapid strikes of growth with globalization together with the information of technology hence it is adding another key feature to increase the competition in the market of business. As to survive in this competition, firms need to increase their value. Firms' value can be affected by dividend policy is one of the important policies as it is implying the firm's insights to the shareholders and other potential investors. This study is motivated by three main factors i.e. the relevancy of dividend policy to investors, the ambiguous findings of previous studies, and the unstable of dividend payments behaviour are the identified problem statements. Firstly, this study identified the problem of the relevancy of dividend policy to investors. According to Priya and Mohanasundari (2016), initially, dividend policy was significant to investors whereby investing in shares can be comparable to bonds. Besides that, dividends were also preferred to retained earnings and could be used as an approach to determine corporate performance even without precise and regular corporate reporting. However, to some extent, the evolution of the financial markets that became more efficient is causing some researchers and academicians in thought that dividend policy is irrelevant to investors. Consequently, resulting in two foremost schools of thought that firstly, dividend policy affects firm value, and secondly, firm value is not affected by dividend policy. Moreover, the theory of dividend irrelevance by Miller and Modigliani has been used to argue the statement that dividend policy does affect the firms' value. Meanwhile, the bird in hand theory by Myron Gordon and Litner has been used to disagree with the statement that dividend policy does not have an impact on firms' value. Secondly, the problem statement identified is ambiguous in the findings from previous studies. Based on the review of the literature regarding the relationship between dividend policy and firms' value, the results show is either a positive or negative relationship exists in different sectors and various countries. In

the relationship between dividend payout ratio and firms' value, the studies by Rehman (2016) and Odum, Odum, Omeziri, and Egbunike (2019) showed negative relationships meanwhile the study by Anton (2016) showed a positive relationship. Subsequently, the relationship between earnings per share and firm values also showed a positive and negative relationship. For an instance, the studies by Fitri (2018) and Rosikah et al. (2018) are shown a negative relationship, and conversely, the study by Islam, Khan, Choudhury, and Adnan (2014) showed a positive relationship. Thirdly, the problem is related to unstable dividend payments. It is stated that dividend policy is involved with the decision in terms of making dividend payments to the shareholders with the retained earnings of the firm or the fund is retained by the firm for investment purposes. And therefore, the decision will affect the firm value. However, if the firm has decided to do dividend payments to the shareholders, the share price will increase and so do the value of the firm. But, from the perspective of the investor, not only the level of dividend payment may be imperative but also the stability of dividends paid. Although unstable dividend payments also would occur thus it will affect the share price and the firms' value as well and implying there has an adverse investor's perception of the firm performance in the financial markets.

Based on the problems discussed above, this study established the general objective of this study i.e. to investigate the effects of dividend policy on firms' value relationship of Malaysian plantation firms which has led to the following specific objectives:

1. to investigate the relationship between dividend payout ratio and firms' value of the plantation sector in Malaysia.
2. determine the impact of price earnings ratio and firms' value of the plantation sector in Malaysia.
3. examine the effects of earnings per share and firms' value of the plantation sector in Malaysia.

This study contributes to the body of knowledge through a better grasp of the literature related to dividend policy on firms' value variously. The findings of the analysis could be employed as a starting point for other researchers in Malaysia to conduct in-depth investigations in the fields of business, accounting, and finance. It also contributed to the most up-to-date information on dividend policy, which policymakers could then utilise to analyse current issues affecting firms' value. Besides, this research provides the advantage of being able to use data on dividend policy that is not available elsewhere. Prior research has been influenced by two factors which are the significance of dividend policy to investors and the instability of dividend payments. The revised research can better show the most recent changes in Malaysia's dividend policy, which are the consequences of ceaseless emerging markets. Furthermore, the outcome of this research shows how essential dividend policy is following the interests of management and major stakeholders such as investors, creditors, and financial analysts. The changes in each variable might have a positive or negative impact on a firm 's value which may also lead to different decisions on dividend policy. From the viewpoint of management, the results of this study may influence their decision to do dividend payments to shareholders, particularly if they anticipate the share price and the firm's value to improve. On the other hand, the decision on the amount and the consistency of dividend payments is also crucial from the investor's perspective. Hence, all market players must be aware of various dividend policies and how they may affect the firm's value. This, therefore, adds a novelty to this study that few other researchers have been able to investigate.

LITERATURE REVIEW

Dividend Policy

Dividend policy refers to the management of the retained equity that is held by the firm to the shareholders. Nevertheless, as according to dividend decision is decided by the firms, Baker and Powell (1999) have stated that the dividend decision is the most significant financial decision to be taken. The decision is either the two options, firstly is to pay dividends or secondly is not to pay dividends to the shareholders. As a result, a firm is always seeking an optimum dividend policy that could balance the current dividend with future growth that would also be able to maximize the firm's stock prices. There are a lot of studies have been done on dividend policy, however, this issue is identified as a puzzle due to the issue remains unsolved. As regards the dividend decision, the study of dividend policy by Ling, Mutalip, Shahrin, and Othman (2007) stated that the findings of 100 Malaysian publicly listed firms show more firms are paying a dividend as compared to firms that do not pay dividends. Subsequently, the research identified the characteristics of the firms that pay dividends using a correlation coefficient method whereby the firms are profitable, have a lower risk, mature and stable compared to non-paying dividend firms.

Moreover, Pandey (2015) has strongly stated that dividend policy is the financial manager's decision to distribute or retain the firm's profits or only a part of the profits distributed then the balance is retained. Also, Baker and Weigand (2015) argued that every firm does not appear likely to have the same factors that influence dividend payments by managers as the firm has its characteristics, corporate governance, and cultural and legal differences. Besides, the study by Baker and Weigand (2015) on corporate dividend policy also shares the findings of the importance of dividend policy as it will become the focus of shareholders and security analysts as large amounts of money will be involved in the decision. The findings of Farrukh, Irshad, Khakwani, Ishaque, and Ansari, (2017) on dividend policy and shareholder wealth in Pakistan have shown that dividend policy variables such as dividend per share and the dividend yield have a favorable influence on the wealth of shareholders. It, therefore, emphasizes the importance of the policy on dividends. The Bogna (2015) study focuses on the effect of profitability, liquidity, firm size, leverage, and risk on dividend payment decisions. The five variables are known as dividend policy determinants. Besides, panel data analysis is applied to analyse the impact of dividend policy variables on the decisions of Polish listed firms in terms of dividend payments. Thus, the findings have shown that the profitability with the proxy of ROE while dividend payout ratio and leverage has a significantly negative relationship. Baker and Jabbouri (2016) carried out another dividend policy study that focused on the influence of dividend policy on Moroccan managers. The survey is used by mail to firms from 2010 to 2014. The survey shows that Moroccan managers have identified the variables of the earnings' current level, earnings stability and the importance of current shareholders are having an impact on the dividend policy of Moroccan firms.

Also, this study stated that the policy on dividends has an impact on firm value.
Yusof and Ismail (2016) have done a study on 147 listed firms in Malaysia regarding the determinants of dividend policy. This study used regression analysis to analyse the data collected during the period from 2006 to 2010. The variables of dividend policy used are earnings, lagged dividend, risk, cash flows, growth, free cash flows, investment, size, debt, and largest shareholders. The findings demonstrate that the dividend policy is not influenced significantly by debt and large shareholders.

Firms' Value

Ilaboya, Izevbekhai, and Ohiokha (2016) defined firm value as reflecting the performance of a firm and implies that firm value reflects the wealth or success rate of a business. Therefore, a firm with a high value determines a firm is prosperous. Subsequently, the main goal of a firm is then to maximize shareholders' wealth. This shows that the firms' value also indicates shareholders' value and that the value of the shareholders is maximized as the firms' value increases. However, Lonkani (2018) argued that firm value should also include a stakeholder group instead of a single stakeholder group-shareholders. Moving forward, Hidayah (2014) also argued that firm value is the perception of

investors to the firm and is related to stock prices. This summarizes that high firm value will encourage investors to invest more in the firm and increase the success rate. Elaine, Thomas, and Jan (2011) argued that financial analysis tools, otherwise known as ratio analysis, were often used to assess the firm's value and performance trends. Activity, leverage, liquidity, profitability, and the market are the categories of ratios used in the study. Based on Fraser, and Ormiston (2013), firstly, the activity ratio measures the potential of the firm to generate revenue from its investment in assets. Second, liquidity measures a firm's capacity to fulfill its debt obligations. Third, long-term leverage measures to finance a firm with obligations. Fourthly, profitability measures the profits generated by its assets, and, finally, the market measures the returns received by the shareholders and the firm value. According to Ilaboya, Izevbekhai, and Ohiokha (2016), the firm value can be measured from two perspectives, in terms of profitability using asset return (ROA), equity return (ROE), Tobin's Q, and net profit margin. Secondly is the use of share prices which are from the perspective of the stock market. In the past Tan, Lee, and Har (2016) and Rehman (2016) studied, firm value measured by using Tobin's Q while Issa (2015) and Megha (2018) used ROA and ROE to measure firm value.

Besides, in past studies of Islam, Khan, Choudhury, and Adnan (2014) and Ubom, Michael, and Akpan (2017), stock prices were used to measure firm value. Kadim, Sunardi, and Husian (2020) carried out a study on the modeling firm's value, which is influenced by the variables of dividend policy, financial ratios, and intellectual capital. This study is carried out with a sample listed in IDX from automotive sector firms from 2010 to 2019. Path analysis of the Sobel test was used to analyse the data collected. The modeling firm's value was based on the cash flow ratio and model ratio price, market book ratio, price earnings ratio, and price to book value ratio. In the meantime, the financial ratios used in this study are the liquidity ratio, solvency ratio, and profitability ratio. This study showed that the solvency and profitability ratios influence dividend policy while the intellectual capital and liquidity ratios do not influence dividend policy. Overall, however, the firm's value is significantly impacted by dividend policy.

Another similar study by Husain, Sarwani, Sunardi, and Lisdawati (2020) on the study of Indonesian firm values in the automotive and component sub-sector is based on the ratio of profitability that is related to dividend policy. A sample of 11 firms using the path analysis Sobel test to analyse the data collected during the period from 2014 to 2018. Meanwhile, the firm's value is measured by the approach of PBV, ROA as a proxy for the profitability ratio, and DPR as a measure of the dividend policy. The result shown in this study is different from the findings of the Kadim, Sunardi, and Husian studies (2020). In this study, it was stated that the dividend policy does not influence the firms' value and that the profitability ratio does not also have an impact on the dividend policy. However, the profitability ratios affect the firm value, and dividend policy is not the mediated variable between the profitability ratio and the firms' value.

Theoretical Framework

There are three types of theories have been applied to this study. The theories are:

Bird in Hand Theory

The bird in hand theory articulated that the firms' value was positively impacted by the payments of dividends. Investors will demand a high dividend yield as they have a higher value dividend than the capital gain due to the low-risk factor of dividends, which will increase the share price. Musallam and Lin (2019) argued that investors could increase their preference for dividends to face the imperfections of the market such as limited certainty and asymmetry knowledge through this theory. As regards the dividends announcements, Michaely and Robert (2006) stated that dividend number adjustments and their smoothing over time will lower the volatility of the firm's stock price. Murekefu and Ouma (2012) study supported this theory in conjunction with the relevant dividend advocates. The data analysis using the regression analysis showed that the findings of the dividend payment and the

performance of a firm are positively related. As such, it stated that this study is also consistent with the theory of Bird in Hand, which is tentative in the form of the relevance of the dividend.

Agency Theory

The agency theory applies to managers' and shareholders' relations. The shareholders and management are not exactly directly involved with each other. Hence, shareholders and management will have conflicts of interest and the agency cost will also occur. Budaga (2017) did a study that indicate a positive association between the payments in terms of dividend and the value of a firm, which support this theory. The generous dividend payments to shareholders will increase the firms' value as the funds available to managers decrease and this can mitigate the costs of the agency of a firm that is concerned with disputes between managers and shareholders. According to Yusof and Ismail (2016) study, the findings demonstrate a positive association with dividend policy between determiners of the firm's size and the major shareholders. The agency theory is supported as the larger the firms' size and the share of the shareholders, the higher the dividend payment to shareholders and it implies that the shareholders are highly supported. Hence, this shows that the management of the shareholders will maximize the shareholders' wealth.

Signaling Theory

Signaling theory suggests that information is signaled between managers (insiders of a business) and shareholders (outsiders of a firm). It claims that the signals are transmitted by the management and then transferred to the shareholders. This explained that the managers were displaying the firm information to the shareholders using dividend information as a signal. Lotfi (2019) articulated that the notices of dividend payments influence the firm's valuation, that is increased payment of dividends would increase the share price and would be interpreted as a sign of future probability by the shareholders. Additionally, Ana (2018) claimed that the firm that makes dividend payments transmits a signal that the firm is optimistic about the future. Therefore, the current share price increases when investors are confident with the future probability. The dividend policy has a major influence on shareholders' wealth and the firm's performance. Moreover, the decision on dividend policy will signal the shareholders and thus influence the performance of the firm. Chaabouni (2017) said that the dividend payments provided market information to shareholders, investors, and potential investors. As such, the increase in dividend payment is an indication that the firm is doing well, which will increase the firm's reputation and increase its share price.

In Figure 1, the theoretical framework is shown to support the three types of theories that have been discussed above. The exogenous or independent variables are the dividend payout ratio, price earnings ratio, and earnings per share. The endogenous or dependent variable in this study is Tobin's Q is used as a proxy for firms' value measurement.

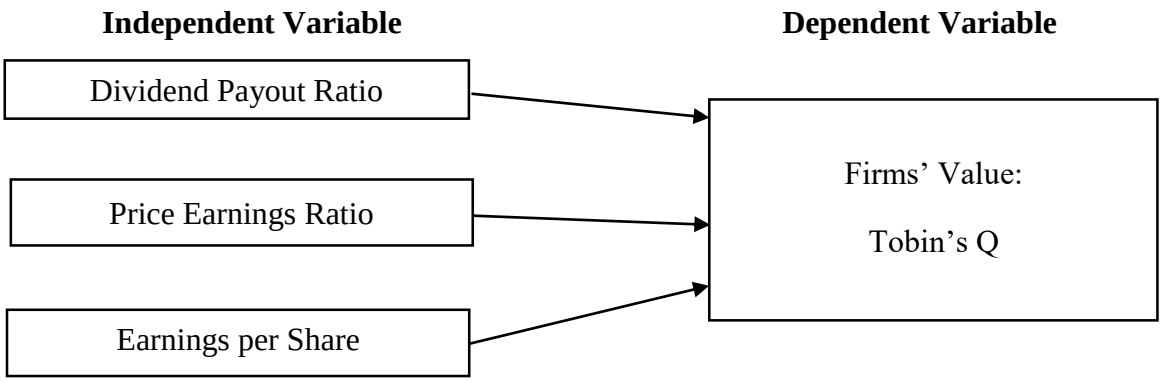

Figure 1: Theoretical Framework

DATA AND METHODOLOGY

This quantitative analysis study analyses the association between dividend policy and firms' value by using a sample size of 44 construction firms listed in Bursa Malaysia from 2016 - 2019. To gather enough data for this research, the secondary sources of data were obtained from the published annual reports and audited financial statements of the sampled local plantation firms. Other necessary information for this study was also collected from other search engines, such as the UNIMAS DataStream index, the official website, journals, and textbooks of the sampled plantation firms. In this study, the determinants for dividend policy are dividend payout ratio(DPR), price earnings ratio (PE), and earnings per share (EPS) while the firms' value is represented by Tobin's Q. Tobin's Q were measured using the proportion of the firm's market value divided by the firm's assets book value. DPR was calculated by dividing the dividend per share of the firm by earnings per share. The measurement for PE was the ratio of market price per share divided by earnings per share and EPS was calculated using net income earned divided by the average of the outstanding shares. To evaluate the various variables of this analysis, the E-Views software was used and the outcome generated are discussed in the next section.

RESULTS AND DISCUSSION

Descriptive Statistic

Table 1 displayed the summary of the descriptive statistics for the variables used in this research. PE has the highest mean and maximum, followed by FS, Tobin's Q, and DPR with the least EPS. A slight difference in the median, which FS is the highest and the next is PE, while the following variables are in the same sequence. The minimum show only FS has a positive value of 19.42000 while Tobin's Q, DPR, PE, and EPS have a negative value. The standard deviation for the set of data ranged from 117.5428 to 0.471637. For skewness of the data, DPR is the highest and followed by PE, EPS, FS, and the least Tobin's Q. The kurtosis shows leptokurtic distribution with DPR, and PE at the same peak which is steeper compared to other variables.

Table 1. Descriptive Statistics for DPR, PE, EPS, FS, and Tobin's Q

Variables	Mean	Median	Maximum	Minimum	Std. Dev	Skewness	Kurtosis
Tobin's Q	1.230234	0.938148	5.037568	-3.806950	1.220043	0.497983	7.084513
DPR	0.753248	0.469627	14.15771	-3.333330	2.037091	4.482400	28.11049
PE	27.29126	19.41951	819.3548	-368.8520	117.5428	3.504331	28.11722
EPS	0.290723	0.106000	2.034000	-0.195000	0.471637	2.125633	6.849568
FS	21.24587	21.01000	23.81000	19.42000	1.254802	0.594484	2.397787

Variables	Tobin's Q	DPR	PE	EPS	FS
Mean	1.230234	0.75325	27.2913	0.29072	21.2459
Median	0.938148	0.46963	19.4195	0.106	21.01
Maximum	5.037568	14.1577	819.355	2.034	23.81
Minimum	-3.80695	-3.3333	-368.85	-0.195	19.42
Std. Dev	1.220043	2.03709	117.543	0.47164	1.2548
Skewness	0.497983	4.4824	3.50433	2.12563	0.59448
Kurtosis	7.084513	28.1105	28.1172	6.84957	2.39779

Correlation Matrix

Table 2 illustrates the correlation between the variables. Referring to the results, DPR has a negative relationship with Tobin's Q, while PE, EPS, and FS have a positive relationship with Tobin's Q. However, PE is the only variable that is positively significant at the 5% significant level. Contrarily, DPR, EPS, and FS are statistically insignificant at a 5% significance level. As a result, changes in DPR, EPS, or FS do not affect Tobin's Q. There is a significant inverse relationship between EPS and DPR. Moreover, EPS and FS have a negatively significant relationship with PE. Lastly, EPS has an insignificant positive relationship with FS.

Table 2. Correlation between DPR, PE, EPS, FS, and Tobin's Q

	Tobin's Q	DPR	PE	EPS	FS
Tobin's Q	1.000000				
DPR	-0.101671	1.000000			
PE	0.015678	0.269221	1.000000		
EPS	0.135785	-0.021792	-0.041896	1.000000	
FS	0.145585	-0.114829	-0.017622	0.450963	1.000000

Chow Test

Table 3 presented the results of the Chow test. The result shows a chi-square of 152.5935222 with a p-value of 0.0000, which is less than 5% significant level. Hence, we reject the null hypothesis and conclude that the FEM model is superior to the POLS model in this study.

Table 3. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.562980	(22,65)	0.0000
Cross-section Chi-square	152.593522	22	0.0000

Effects Test	Cross-section F	Cross-section Chi-square
Statistic	12.562980	152.593522
d.f.	(22,65)	22
Prob.	0.0000	0.0000

Pooled Ordinary Least Squares (POLS) Regression Model

Table 4 shows the result of the POLS regression model, whereas Tobin's Q and DPR have a negative relationship. Meanwhile, PE, EPS, and FS show a positive relationship with Tobin's Q. The result indicates that if DPR falls by 1%, Tobin's Q will rise by 0.06%. Moreover, with the increase of PE, EPS, and FS by 1%, the increase in Tobin's Q will be up to 0.0005%, 0.12%, and 0.089%, respectively. From the result, all the variables are insignificant since their P-values of 0.3559, 0.6569, 0.4283, and 0.4389 exceeded the critical value. It means that in the POLS model, all the variables do not contribute to Tobin's Q. Meanwhile, the POLS model equation is formed as follows from the results in Table 4:

$$Tobin's\ Q = -0.715716 - 0.061174DPR + 0.000506PE + 0.243053EPS + 0.089785FS + \varepsilon_i$$

Table 4. Pooled Ordinary Least Squares (POLS) Regression Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.715716	2.423143	-0.295367	0.7684
DPR	-0.061174	0.065916	-0.928066	0.3559
PE	0.000506	0.001135	0.445668	0.6569
EPS	0.243053	0.305410	0.795826	0.4283
FS	0.089785	0.115460	0.777627	0.4389

Fixed Effect Model (FEM)

Table 5 shows the result of FEM, whereas Tobin's Q has a positive relationship with PE and EPS while a negative relationship is shown between DPR and FS. The results referring that DPR, and FS rise by 1% will reduce Tobin's Q to 0.11% and 0.51%. In contra, Tobin's Q rises to 0.0006% and 0.14% as PE and EPS increase by 1%. However, DPR and FS are significant at a 5% significant level while PE and EPS are insignificant as their p-values are more than the critical value. The FEM equation is formed as follows from the results in Table 5:

$$Tobin's\ Q = 4.969575 - 0.104636DPR + 0.000668PE + 0.227061EPS - 0.176259FS + \varepsilon_i$$

Table 5. Fixed Effect Model (FEM) Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.23034	4.748964	2.575370	0.0123
DPR	-0.113071	0.042927	-2.634024	0.0105
PE	0.000674	0.000598	1.126895	0.2639
EPS	0.149508	0.380516	0.392910	0.6957
FS	-0.516655	0.224266	-2.303757	0.0244

Hausman Test

Table 6 presented the result of the Hausman test. Hausman's test result shows a Chi-square of 5.020047 with a p-value of 0.2852, which is more than 5% of the significance level, and therefore, we do not reject the null hypothesis. As a result, REM is preferred as compared to FEM.

Table 6. Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.020047	4	0.2852

Random Effect Model (REM)

Table 7 illustrates REM results, whereas Tobin's Q has a positive relationship with PE and EPS. In contrast, Tobin's Q has negatively related to DPR and FS. The findings suggest that PE and EPS are 1% higher, leading to 0.0006% and 0. 22% of Tobin's Q. Moreover, Tobin's Q reduced by 0.104% and 0.17% due to the 1% increase in DPR and FS. However, only DPR is significant at a 5% significant level, and PE, EPS, and FS are insignificant as the p-value is more than the critical value. The REM equation is formed as follows from the results in Table 7:

$$Tobin's\ Q = 4.969575 - 0.104636DPR + 0.000668PE + 0.227061EPS - 0.176259FS + \varepsilon_i$$

Table 7. Random Effect Model (REM) Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.969575	3.318821	1.497392	0.1379
DPR	-0.104636	0.041932	-2.495377	0.0145
PE	0.000668	0.000596	1.120880	0.2654
EPS	0.227061	0.326929	0.694529	0.4892
FS	-0.176259	0.156935	-1.123135	0.2645

Summary of Regression Model Discussion

Table 8. Summary of REM Regression Model

Variables	Dependent Variable: Tobin's Q		
	Coefficient	T-statistic	Probability
Constant	4.969575	1.497392	0.1379
Independent Variable			
DPR	-0.104636	-2.495377	0.0145
PE	0.000668	1.120880	0.2654
EPS	0.227061	0.694529	0.4892
Control Variable			
FS	-0.176259	-1.123135	0.2645
R-squared	0.080407		
Adjusted R-squared	0.038127		
F-statistic	1.901770		

According to the most preferred model, REM, only DPR contributes to this study, while PE, EPS, and FS have no contribution. Firstly, by using a 5% significance level, DPR demonstrates a significant negative relationship with Tobin's Q. This indicates that when the firm generates high income and distributes a low dividend payment, the firm value increases. This is because the optimal amount, or even a lower amount of dividend, would help to increase the shareholder's equity. Nonetheless, the excess income could be used for investment purposes by the firm. The findings undoubtedly agree that firm value has an impact on DPR. However, this contradicts previous research, as most of the findings discuss an insignificant relationship between Tobin's Q and DPR. Secondly, by using a 5% significance level, PE shows an insignificant positive relationship with Tobin's Q. This indicates that the share price rises following the content information about the firm's situation made available to shareholders, thereby increasing the firm's value. The decision would have an impact on the firm's future earnings and share price. However, this finding indicates that PE does not significantly contribute to the firm's value. Thirdly, EPS has a positive but insignificant relationship with Tobin's Q. This implies that the firm's value will increase as its earnings increase. However, the findings stated that the growth of the firm's earnings does not affect the firm's value. This contradicts previous studies by Rehman (2016) and Ahmad and Abdul (2017), which found that EPS has a significant impact on firm value. Lastly, FS has an insignificant negative relationship with Tobin's Q. In other words, the firm value will decrease as the firm grows in size due to the total assets owned by the firm. However, the findings also stated that a firm's size does not contribute to the firm's value. This is consistent with previous research (Mohammed (2007), Ahmad & Abdul (2017), Odum, Odum, Omeziri, & Egbunike (2019), which all agree that FS does not affect firm value. Thus, according to the result of the Chow test and Hausman test, REM is the most appropriate model to be used to estimate the panel data in this study and the summary of the hypotheses result is shown below.

Table 9. Summary of Hypotheses

Hypotheses	Results	Supported/Not Supported
H1: There is a significant relationship between the dividend payout ratio and firms' value.	Positively significant	Supported
H2: There is a significant relationship between the price earnings ratio and firms' value.	Negative insignificant	Not supported
H3: There is a significant relationship between earnings per share and firms' value.	Positively insignificant	Not supported

CONCLUSION

This study aims to examine the correlation between the dividend policy and the firms' value. This study uses a sample of 44 plantation firms in Malaysia using the data set from 2016 to 2019. The firms' value is measured using Tobin's Q while dividend policy variables include dividend payout ratio, price earnings ratio, and earnings per share. The control variable for this study is firm size. This study applied descriptive analysis, correlation analysis, and random effects model to test such relationship to achieve the research objectives. The research objectives and research questions of this study were answered by the Random Effect Model. From the results of the model, there is a negative and significant association between the dividend payout ratio and firms' value. On the other hand, price earnings ratio and earnings per share, both are affecting the firms' value positively but insignificantly. As for the control variable, firm size is inversely but insignificantly related to firms' value.

Several limitations could not be avoided in this study. These limitations do not influence the results of the study in a significant manner but could be used to offer recommendations for future research areas. Firstly, the sample size used for this research is small. There were supposed to have 44 samples of plantation firms in Malaysia however in this study, there were selected criteria that need to go through as in terms of choosing the firms. future research should expand the sample size since expanding the sample size can help improve the accuracy of the study. Therefore, some of the criteria need to be improvised, for example, a firm that has paid only a one-year dividend during the study period needs to be included in the sample. Another limitation is that this study only focuses on the plantations sector in Malaysia instead of including other sectors, for instance, the manufacturing sector, consumer product sector, technology sector, trading or services sector, and real estate sector. Secondly, future studies should involve other sectors such as the manufacturing sector, consumer product sector, technology sector, trading or services sector, and real estate sector, so that comparisons could be made. Doing so would assist the researcher in discovering the reasons for and implications of the other sectors' effects. As a result, their study will be more appealing, and they will have a competitive advantage over other researchers. Furthermore, it would aid in increasing the sample size and validity of the data collection.

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