CHAPTER THREE
METHODOLOGY AND METHODS

3.0 INTRODUCTION

This chapter outlines the methodological framework adopted for this research that explains why the study is done in the manner that it is. Further, it provides a description of the sample selection, data collection procedures, variable measurement and the method employed to test the hypothesis.

An exploratory study by way of secondary data's has been suggested due to the availability of data that are ready for use and the possibility of carrying out past studies to fruitful results (Dale, 1993)

Secondary data analysis involves the use of existing data, collected for the purpose of a prior study, in order to pursue a research interest which is distinct from that of the original work; this may be a new research question or an alternative perspective on the original question {Hinds, Vogel and Clarke-Steffen 1997; Szabo and Strang, 1997}. In this respect, secondary analysis differs from systematic reviews and meta-analysis of qualitative studies that aim instead to compile and access the evidence relating to a common concern or area of practice {Popay; Rogers and William, 1998}. As will be seen below, secondary analysis can involve the use of single or multiple qualitative data sets, as well as mixed qualitative and quantitative data sets. In addition, the approach may either be employed by researches to re-use their data or by independent analysts using previously established data.

Various arguments in favour of developing secondary analysis of qualitative studies have been put forward (Hinds; Vogel and Clarke-Steffen, 1997; Sandelowski, 1997; Szabo and Strang, 1997, Thorne 1994). Firstly, it has been contended that the approach can be used to generate new knowledge, new hypothesis or support for existing theories; that it reduces the burden placed on

respondents by negating the need to recruit further subjects; and that it allows wider use of data from rare or inaccessible respondents. Secondly, secondary analysis is a more convenient approach for particular researches, notably students (Szabo and Strang, 1997). Thirdly, existing study have mainly been conducted by researches re-using their own data rather than by independent analysts using data collected by others.

3.1 DEVELOPMENT OF OBJECTIVES

To accomplish the objectives of the study mentioned in Chapter One, the following objectives had been set forth to be analysed and evaluated. As there were no previous studies conducted on the following issues in the Malaysian context, the following objectives had to be undertaken to evaluate to what extent, dividends are distributed from negative earnings and the corresponding effects on other related variables.

Objective 1:

The declaration of dividends from negative retained earnings.

Ho The declaration of dividends from negative retained earnings is common among Malaysian Companies.

H1 The declaration of dividends from negative retained earnings is not common among Malaysian Companies.

Objective 2: The declaration of dividends and nature of business

Ho The declaration of dividends from negative retained earnings is associated to the nature of business.

H1 The declaration of dividends from negative retained earnings is not associated to the nature of business.

Objective 3: The declaration of dividends and the type of company

Ho The declaration of dividends from negative retained earnings is associated to the type of Company.

H1 The declaration of dividends from negative retained earnings is not associated to the type of Company

Objective 4:

The declaration of dividends and the type of listing Board.

Ho The declaration of dividends from negative retained earnings is associated with the listing status.

H1 The declaration of dividends from negative retained earnings is higher for firms listed on the main board of the KLSE than for firms listed on the second board.

Objective 5:

Companies that never paid dividends although making profits

Ho Companies that never paid dividends although making profits is associated to the type of Company.

H1 Companies that never paid dividends although making profits is not associated to the type of business.

3.2 SAMPLE DESIGN AND DATA COLLECTION

Sampling is one of the major tools of marketing research, which is concerned with collecting, analysing and interpreting market data (Peter, 1997). A sample is taken because of lower cost and time constraints, accuracy of data and research considerations as well as faster in gathering the vital information. Before choosing any sample, proper planning and scheduling was conducted in order to obtain a more representative, accurate and reliable result. As a result, there was no study done on the entire population.

This study concentrated on eight hundred and seventeen Companies that were listed on the Kuala Lumpur Stock Exchange (KLSE), fifty ,50 private Companies with the highest paid up capital and all thirty eight (38) Companies that were sanctioned under the Section 176 of the Companies Act. The thirty-eight (38) Companies sanctioned under section 176 consisted of (22) listed Companies and sixteen (16) private limited companies.

Sampling Summary - Samples and the Period {years} covered.

Listed Companies {827}	1991 to 2001
Private Limited Companies	1991 to 2001
{50 with the largest paid up share capita}	
Companies listed under {section 176}	1995 to 2001

The study was based on the annual reports as per the periods prescribed above. As for the listed companies the annual reports were assessed through the KLSE Website and KLSE library. In addition to it the annual reports of the private companies were assessed through the microfilms and the online computers at the Registrar of Companies {ROC}. The annual reports of the private companies can only be assessed at the ROC at a minimal fee.

3.3 INDEPENDENT VARIABLES

An independent variable is one that influences the dependent variable in either a positive or negative way {Sekaran, U.[2000]}. Due to the time and cost factors in relation to data collection, the number of variables examined in this study was limited to five. The five variables are retained earnings, nature of business, type of business, type of companies, type of listing and non-distribution of dividends among companies making profits.

3.4 STATISTICAL TESTS

The study used both binomial and chi-square tests to examine the hypothesis. The test was a simple Chi-square test conducted to examine whether independent variables had an influence on the compliance of the Malaysian law on the distribution of profits. In addition, a cross tabulation was carried out between the dependent and independent variables. A dichotomous dummy variable, which identifies "Compliance" firms as 1 and "non-compliance" as 2, was used for the dependent variable.

The binomial tests provide an appropriate means of considering the simultaneous effect of the independent variables on the distribution of dividend from negative retained earnings.

The computer software, Statistical Package for Social Sciences {SPSS}, has been used to facilitate the analysis process.

3.5 VARIABLE MEASUREMENT

A study by Tan and Ngan's {1991}, on the development of the industry membership hypothesis, classification into sectors as per KLSE listing. However, due to some small observations in certain sectors they have combined closely related sectors. Following Tan and Ngan, the sampled companies are disaggregated into industry membership according to the sectors they were listed on the KLSE and certain related sectors are also combined for similar reason. Consequently the final classifications are reduced to seven sectors. They are consumer product, industrial product, construction project companies, trading/services, finance, property /hotel and plantation/mining.

4.0 CONCLUSION

Having collected the data, statistical tests will be performed to analyse the data and the results are presented and explained in detail in the next chapter.