ABSTRACT

Firms may decide to utilize their internal cash to fund their strategic projects or issue bonds. In Indonesia, either have access to public debt market or not, many firms have issued bond(s) to boost their business expansion. They are dominated by financial institutions, especially banking companies. Interestingly, even though firms have decided to issue bonds, instead of spending much from their internal cash, dividends are still paid out.

Dividends paid to shareholders represent a return on the capital directly or indirectly contributed to the corporation by the shareholders. In shareholders' point of view, dividend disbursement is most-likely moment to wait for. This research aims to scrutinize whether lagged-dividend per share (lagged DPS), earning per share (EPS), dummy and size of company have significant influence to dividend per share at time t. Author collected data from Capital Market and Financial Institution Supervisory Agency and Indonesia Stock Exchange (IDX) from year 2002 until 2009. There are 227 company-year observations collected in this research.

Analysis method used in this research is Multiple Regression Model. Dependent variable is natural logarithm of dividend per share (LDPS). Meanwhile, the independent variables are natural logarithm of lagged dividend per share (LDPS1), earning per share (EPS), dummy variable, and natural logarithm of size (LSize).

Two models are developed in this research. Both models are highly significant in explaining the LDPS. There is no significant difference between companies issuing bonds and not-issuing bonds in influencing their dividend policies. Either companies issued bond or not, companies smoothen their dividends. The higher the total assets, the higher the dividend will be paid. Firms with higher profits should pay higher dividends.

Keywords: dividends, bonds, dividend per share, lagged dividend per share, earning per share, dummy (issuing bonds or not), size