

**THE IMPACT OF DIVIDEND POLICY ON SHARE PRICE IN THE  
INDONESIAN STOCK MARKET**

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**Abstract**

**Objectives:** The objective of this research is to seek the effect of dividend policy on share price. This thesis will use three parameters of Dividend Policy, i.e: Dividend Payout Ratios (DPR), Dividend Yield (DY) and Beta ( $\beta$ ) as independent variables, while Share Price will represents share price as dependent variables.

**Method:** The samples used are Kompas 100 that listed in Indonesia Stock Exchange (IDX). The total companies used for this research will be 63 companies after eliminating the financial institution industry. The data is collected over a period of 4 years (2008-2011). Annual reports are gathered from IDX website, Bloomberg and company's official website. The author is using normality test, auto correlation and multiple linear regressions.

**Results:** The result of statistic test shows that there is significant relationship and impact between dividend payout ratio and beta towards share price, while there is no significant relationship and impact between dividend yield towards share price.

**Conclusion:** The author concluded that majority of the companies listed in Indonesian Stock Exchange are following the bird-in-the-hand theory which means that the dividend is relevant.

**Keywords:** Dividend Payout Ratio, Dividend Yield, Beta, Share price, M.M theory and Gordon Theory