CHAPTER V

CONCLUDING REMARKS

5.1 Conclusion

From this research process started by collecting supporting literatures, data from Capital Market and Financial Institution Supervisory Agency (or *Badan Pengawas Pasar Modal dan Lembaga Keuangan* / *Bapepam–LK*) from year 2002 until 2009 and dividends data sourced from Indonesia Stock Exchange website, conducting Multiple Regression Model and so on, finally author comes to conclusion.

To answer four statements of problem expressed earlier in Chapter 1,

1. Does lagged-dividend per share (DPS_{t-1}) influence dividend per share at time t (DPS_t) significantly?

   Yes, from the two models conducted by author, lagged DPS (called as variable LDPS1) influences dividend per share at time t (called as variable LDPS) significantly.

2. Does earning per share at time t (EPS_t) influence dividend per share at time t (DPS_t) significantly?

   Yes, from the two models conducted by author, earning per share (called as variable EPS) influences dividend per share at time t (called as variable LDPS) significantly.

3. Does either company issues bonds or not (Dummy) influence dividend per share at time t (DPS_t) significantly?

   No, from the two models conducted by author, either company issues bonds or not, it does not influence dividend per share at time t (called as variable LDPS) significantly.

4. Does size of company influence dividend per share at time t (DPS_t) significantly?

   Yes, from the second model conducted by author, size (called as variable LSize) influences dividend per share at time t (called as variable LDPS) significantly.

From the analysis of Model 1, 46.1% variables (LDPS1, EPS and Dummy) are highly significant in explaining the LDPS. From the analysis of Model 2, 49.7% variables (LDPS1, EPS, Dummy and LSize) are highly significant in explaining the LDPS. This means there are still other variables that explain LDPS. Lagged DPS, EPS and size of company have significant influence in determining the dividends payment. The higher the total assets, the higher the dividend will be paid. Bigger companies needs more fund to finance their projects, such as opening new branches/stores, purchasing raw materials, buying new plants/lands/fixed assets, etc. Firms with higher profits should pay higher dividends.

5.2 Further Research

Topics related to dividends are still so wide opened with quite a lot of journals support the research. As available in the References section on this paper, students, practitioners, researchers or anybody who are interested to explore more on dividends may find the ideas and conduct a further research for several topics below:

- The relationship between bond prices and dividends changes

  Author here re-quotes research result of Dhillon and Johnson (1994) which said that bond prices decline when dividends are increased, whereas bond prices increase when dividends decrease.

- The share price response to straight debt issues

  According to Johnson (1995)'s research, average share price response to announcement of straight debt issues is significantly positive for low dividend payout firms, and insignificantly different for high dividend payout firms.

- The relationship between dividends payout and firms' growth

  Johnson (1995) classified sample on his research by growth because firms choosing to pay low dividends and retain their internal funds may be more likely to be growth firms

- The relationship between investment rates and dividends; future growth opportunities and dividends; and debts constraints and dividends

  These are remaining three of four fundamental factors expressed by Aivazian et al. (2006) that are not included in this research paper. Those factors are expected to influence dividend decision.