

## **Chapter 5**

### **Conclusion and Recommendation**

#### **5.1 Conclusion**

Based on the results of research conducted by the author to companies that listed in Indonesian Stock Exchange, hence, conclusion can be drawn in regards to the problem studied as follows:

1. Based on results of this research in normality test, there are 45 companies from 100 companies listed in Indonesian Stock Exchange under Kompas 100. These companies were examined by applying multiple regression for a period of four years from 2008 to 2011.
2. Based on results of this research according to Anova table in chapter 4, illustrates that there is a direct linear effect between the dividends towards the share price.
3. Based on the results of coefficient of correlation or t-test, the author can conclude that dividend payout ratio (DPR) and beta have a significant impact towards the share price. However, another independent variable, dividend yield (Y) has no significant impact towards the share price.

The results of this research could be verified that bird-in-the-hand theory (Gordon's theory) applied in the company studied, which cash dividend distribution gives effect and relationship towards share price of the company. The reason behind this that the size of cash dividend distributed to shareholders as a

signal for investors how is the condition of the company in the future. Moreover, distribution of cash dividend is one of factors that considered in taking investment's decision and it will be very useful information conveyed by the company to investors and potential investors. Actually, distribution of cash dividend is a highlight from company to expose the current condition of the company and have a great confidence how is the condition of company will be doing in the future.

On the other hand, for some companies that studied, the author can observe there is no effect or impact between distribution of cash dividend towards share price of the company, which means that neither or nor the companies distributed cash dividends, there will still be investors invest their money towards the company. Moreover, this is also supported by stewardship theory as in this theory stating that if the managers act as steward which focus more in maximizing shareholder's wealth rather than shareholder's interests.

## 5.2 Recommendation

Based on the above conclusion, the author would give some recommendation that might be useful. Hence, the author's recommendation to the issuers at Indonesian Stock Exchange and for further research as following:

1. The stability and sustainability of dividend payments need to be considered by company's financial managers. As dividend distribution has become one signal that observed by investors before potential investors decide to invest in a particular company.
2. Before the company decide dividend policy, the company should pay attention too to internal factor such as the level of company's growth and external factors such as inflation rate and also headline news that thrive in communities either domestics or international.
3. For the next research, an additional new variables might be useful such as inflation rate, policy that decide by company, company's growth and other variables that have not been used by the author in testing whether cash dividend has contained information that can affect or relate with share market price.