

CHAPTER V

CONCLUSION

5.1 Research Conclusion

This research has a purpose to analyze and examine whether investment, cash flow, firm value, and total debt have a significant relationship with dividend payouts of firms that are in stagnant stage of firm's life cycle. Samples are taken from manufacturing companies in consumer goods subsector. Based on the previous chapter four (that shows the results of the analyzed data), this study concludes that at stagnant stage of the observed firms, investment shows statistically insignificant relationship with dividend payout. It can be stated that the hypothesis is rejected since the t-test result of investment with dividend payout shows differently with the hypothesis. This study has the same result with prior studies by Fama (1974), Smirlock and Marshall (1983), and Auerbach and Hassett (2003).

The value of probability t from investment as an independent variable is 0.060, which is bigger than 0.05. It means investment does not have statistically significant relationship with dividend payout. It also shows negative correlation which means if the investment spending rises, the amount of dividend payout will decline. It has the opposite condition with the three other variables. The value of probability t from cash flow is 0.000 which is lesser than 0.05, which means cash flow has statistically significant relationship with dividend payout of a firm. The value of prob. t from firm value and total debt are 0.000 and 0.005 respectively, both of them show that the value lesser than level of significance 0.05. It means

that firm value and total debt have a significant relationship with dividend payout of a firm. Also, three of them show positive correlations with dividend payouts. It means if dividend payout increases, so do with cash flow, firm value, and total debt.

The observed firms in the stagnant stage of life cycle, show investment, cash flow, firm value, and total debt have proportion of influence to dividend payout approximately to 77.4%, while the rest 22.6% (100%-77.4%) is influenced by the other variables that do not exist in linear regression model in this study.

5.2 Research Limitations

There are some limitations that can be considered to obtain better or different results for further research. This research has limitation in its scope. The period of this research only four years and the observed firms only in the stagnant stage. Broader scope may give a better, different, or more explanation of the results toward the relationship between dividend payouts and investment.

5.3 Research Suggestions & Implications

1. For researchers

Since this study has several limitations as stated above, the author has expected for future researchers to extend the period of the research, not only analyze the firms at stagnant stage of life cycle, but also from the whole stages.

2. For investors

Investors could gain knowledge from this research on what factors that affect dividend payouts to take a quick look to a firms performance. Yet, still, investors must also consider information from other factors

such as internal factors (current condition of the firms, policies) and external factors (economic conditions, government policy, the level of income, the rate of inflation).

3. For management of a firm

Management should have a better understanding or appreciate the impact of policies that affects dividend payouts.

