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**INFLUENCE OF NET INCOME AND OPERATING CASH FLOW ON
DIVIDEND POLICY
(AN EMPIRICAL STUDY ON MANUFACTURING SECTOR IN THE
INDONESIAN STOCK EXCHANGE IN PERIOD 2010-2013**

THESIS



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FAKULTAS EKONOMI
UNIVERSITAS ANDALAS
PADANG
2015**

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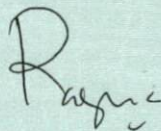
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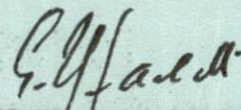
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**Influence of Net Income and Operating Cash Flow on Dividend Policy
(An Empirical Study on Manufacturing Sector in The Indonesian Stock Exchange in period 2010 - 2013)**

Thesis By :Maulani Husna
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ABSTRACT

This study analyzed the influence of earning and cash flow from operating to dividend payout ratio of manufacturing sector listed in Indonesia Stock Echange in period 2010 – 2013. This study was also intended to know which performane measure haf the most significant effect to the dividend payout ratio. Data analysis method that used in this research was quantitative with multiple regression analysis. Testing the hypothesis in this study was using T-Test and F-test and to determine how large of independence variables could be explained by dependence variables was used coefficient of determination analysis (R2). Sample used in this study consist of the 32 samples. The result of this research indicated that Earning Per Share (EPS) has no significant negative effect on Dividend Payout Ratio, meanwhile Operating Cash Flow has no significant positive effect on Dividend Payout Ratio. In addition, simultaneously Earning Per Share and Operating Cash Flow have not significant effect on Dividend Payout Ratio.

Keywords: Net Income, Operating Cash Flow, Dividend Policy

This thesis has been presented before the examiners in Thesis Examination and successfully passed the Thesis Examination on January 7th 2015.

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LETTER OF STATEMENT

I would like to state that my thesis with title **“Influence of Net Income and Operating Cash Flow on Dividend Policy (An Emperical Study on Manufacturing Sector in Indonesia Stock Exchange in period 2010-2013)”** is worked by myself and there is no part or all of the posts that contain the phrase, idea, or opinion from another source without giving acknowledgement to the original author. As the parts are sourced from other people’s work have included the source in accordance with the norms, ethics, and rules of scientific writing. If they find a plagiarism in this thesis, I am willing to accept the sanction of revocation of academic degrees that I have gained.

Padang, April 17th 2015

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ACKNOWLEDGEMENT

Alhamdulillah Rabbil'alamiin.

First of all I would like to express my big grateful to Allah, on the blessing and guidance, I could finish this thesis as partial fulfillment to achieve Undergraduate Degree from Accounting Major of Andalas University. Then, I would like to deliver Shalawat and Salam for the great prophet, Muhammad for guiding us to the light.

I would like to thank all of the following people, who have provided support, motivation, advice, and guidance in not only compiling this thesis but also finishing my study:

1. My beloved parents. Alm Dad H. Santoko and Mom Hj. Herlina. You both are my biggest motivation. Thank you for all of your prayer, support, and courages. You both are the best in this world, always know what I want and what I need. Your love is beyond any words. I love you so much. Specially for you mom, you are an angel send to me in this world. Never ever go away from me. And sorry Dad, because I can not see you in my graduates celebration. I wish I were more focus in my study, So I could see your smile with Mom's.
2. My families. Thank you to my older brothers, older sisters and my young brother and sister. Mbak Yuli, Mbak Ibi, Mas Ibro, Satria, Santri, Bang Iga, Bang Gun, Alm Kak Amel. My georgeous nephews and nieces; Melly, Bunga, Luna, Ersa, Alif who always make me smile when I see

you around. Thank you for my big families: especially for tante Wida, Om Dodi, tante Deni, Alm Om Iyan, tante Suti dan my cousins Ayu, Dwi, Jihan, Kiki, Farid, Nazwa, Nazmi, Aqila, Alwi. I will never miss any families event like making grilled fish in grandmother house. Thank you for colouring my life when I get back home.

3. Dr. Efa Yonnedi, SE. MPPM, Ak as my lecturer, academic advisor, thesis advisor, comprehensive examiner and the Head of Accounting Department for all of the times, helps, suggestions, knowledge, advices and patience in guiding me from the first year in accounting department until finishing my thesis. Even if you are very busy with your duty, you always have time to supervise me. Thank you for your support and advice during my study. And thank you to show me the important of being trustful in life.
4. Rayna Kartika SE, M.Com, Ak as my lecturer, thesis examiner and Head of International Program for Accounting Department. Thank you for showing the right concept of learning, thank your for listening to my worries and thank you for helping and giving suggestion when I have problems.
5. Verni Juita, SE, M.Com (Adv), Ak, Denny Yohana, SE, Msi, Ak. Dr. Asniati, SE, MBA, Akt, CSRS, CSRA. Drs. Riwayadi, MBA, Ak, CSRS. Suhernita, SE.M.For, Accy, Ak as my comprehensive examiner. Thank you so much for the suggestions and advices to keep improving my knowledgee and skills in Accounting.

6. Dra. Hj. Husna Roza M.Com (Hons), Ak as my academic supervisor, and all the lecturers who have ever taught me, Prof. DR. H. Eddy R. Rasyid, M.Com (Hons), Ak. Drs. Edi Herman MBA, Ak. Drs. Hariadi Yasni, MBA, Ak.
7. Bureau staff, Da Ari and Ni Eva. Thank you for making the bureaucracy matters easy and smooth. I bet everyone in the department would not be able to run the learning process smoothly without your help.
8. Afriadi dan Nia, my friend with whom I have been struggling to finish the thesis. Finally we can bear the beauty and the sweetness of our struggles and sacrifices. May we all can get the economics degree.
9. My boyfriend and families. Dolly Zarisno. Thank you for all the support, advices, courage patience and help in finishing this study. *Insha allah*, we will make all our dreams come true so we can show to the world that we can make it.
10. My best friends (my Bebeh). Ria Rukmana (chyut), Eka Susanti (ekyu), Widya Jayanti (wijay). Finally I follow you. You are not just friends but you are my family who always share everything with me, always remember me when I do something wrong, give me spirit and support not only for study but also for any problem that I have. Thanks for love and happiness that give to me Bebeh. I am really happy meet with you all, having an opportunity to know each of you and become a part of your life as a friend. Thank you so much. We are complete now.
11. Thank you to Abdurrahman who were always asking to me when would I have a seminar. Honestly it gives spirit to finish my thesis and also thank

for your help dan being a good listener who does not have any comments. And thank you to Nike Fadilah (si say) who always be my translator in the class and this thesis. Thank you for helping me guys.

12. My classmates in International Accounting 2008. Dede Kurniawan, M Lizardi Hidayat K, Margareta Putra, Mudkal Sidik, Arif Ariadi, Fadilla Oscar, Indra Syahril, Welly Kaurisman Sihotang, Iqbal Lutfi, Loveandiyo M.R., Vicky Prema Rizky, Eka Putri Kenanga, Imraatul Khairat, DM, Isma Rida, Melin Ramadhani H, Nursesra Sari, Okta Vilyana, Rahmi Sefriana Riska, Remizy Ivoni, Yolanda Dwi Sari, and Zarwati.
13. My partner in comprehensive examination preparation. Fauziah Hazanah, Deni Rachmand, FizyVriwardani, and Laura. Thank you for sharing and helping me. And thank you to Dayat who always being super kind when I need both of you.
14. Thank you for my friends in boarding house. Amy, Dian, Wardah, Veby, Ayu, Tika. Thank you for being kind. Thank you for being there. Thank you for being crazy. It lifts me up when I am down, girls. Thank you to bang Juan Milliando Siregar, Prilmon Aritonang, and Abd. Latif Simbolon with your hard Batak accend, thank you for the motivation and suggestions for supporting me.
15. Accounting friends, senior, and junior who can't mentioned one by one. Thank you for the people who come and go in the middle of my life.
16. Thank you for all my community services friends, Ega, Wiwid, Tia, Ute, Meda, Ririn, Bang Waldi, Isan, Abenk, Fery, Jefry, Edo, Bang koko,

Deby for togetherness when we were serving the community in Bonjol,
Kab. Pasaman.

There are still many others whom I cannot mention one by one. Thank you
for every single help that I cannot reply. Thank you for each and every single
support, in one way or another all these years.

Padang, April 20th 2015

Sincerely,

Maulani Husna

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CHAPTER I

INTRODUCTION

1.1 Research Background

An investor doing investment in the form of stock to get return on their investment which are dividend and capital gain. Dividend is the value of the company's net income after tax to retained earnings. While capital gains are income from the difference between the selling and purchase price of stock. The dividend from the operational income of company will be issued to the investor.

Dividends have lower ratio rather than capital gains, because dividends received based on the current period. While to get the capital gain we should consider that the stock price will be more profitable. Dividend policy is an integral part of corporate financing decisions as it provides internal financing. Source of internal financing is the use of retained earnings. Decision made by the director of a company about the amount and timing of any cash payment, those are made to the company stockholders and it depends on the type of policy.

For companies, the information contained in the dividend payout ratio (DPR) is used as a consideration in determining the amount of the dividend distribution. For the shareholders, it will be used as consideration in the investment decision to determine whether to invest or not in a company. Some companies give dividends to amount in different each year. Since there are times for declining profits in the company, the dividend by the company are bigger

than the previous year. It makes the resulting profit is not the only factor considered in determining the amount of the management of the DPR. There are many factors that influence a company's dividend policy (Manurung, 2009).

According to Ariani (2010) that income is very important to provide information for external and internal parties. Information published by the earnings management is more relevant to the conditions of the company. Information about the performance of company, mainly on profitability are required to make decision about economic resources that will be managed in the future. In distribute the dividends, management need to consider many things and sometimes there will be some conflicts when dealing with investors. The shareholders would expect to get a high dividend, while the company have a policy that tends to distribute the amount of dividend that is relatively stable considering the survival and growth of the company in the future.

According to Rasyid, (2001 as cited in Irawan and Nurdhiana), the problems in dividend policy have significant implications for investors and for companies that will pay dividends. In general, the investor has the main objective to increase the welfare in expecting the issue of dividend or capital gains. On the other hand, the member of company needs to get greater prosperity to its shareholders. Certainly its very important that the development of dividends policy to meet the expectations of shareholders, and the dividend on the other hand did not limiting the growth of the company. Thus, dividends called the division of property for the benefit of shareholders.

Dividend policy determines the placement of earnings paid to shareholders by reinvesting in the company. Retained earnings are one of the important sources of funds to finance the company's growth, but the dividend is a cash flow paid to shareholders or equity investors (Brigham and Houston, 2001).

Dividend policy will be determined by management and management must consider the income of company and cash from that are available in the company. The total cash flow from operating activities is an indicator to determine whether the operation of company generating sufficient cash flow to pay dividends. Furthermore, cash flows also affect the gross profit and be able to predict future cash flows. In investment activity its also affects the cash flow. So cash flow and net income in the dividend policy can be determined from operating and investment activities, depending the source of fund.

A company distribute dividends to shareholders every year because the company continually get income every year, while the company does not distribute dividends when the the company wants to allocate these funds as additional capital to fund the company. There are several researches which are conducted by other researcher about dividend policy and Manurung (2009) as my replication research. The research found evidence that net income and cash flow have a positive effect on dividend payout ratio, cash flow and operating activity have a more significant influence. In other period the results of dependent and independent variables are different and there are some factors affecting dividend policy.

Ariani (2010) stated that gross profit has the best ability to compare with operating income and net income in predicting the future of cash flows. The study found that simultaneously gross profit, operating profit, and net earnings have predictive ability for future cash flows.

Amran (2013) conducted a research about the influence of growth, capital structure, the value of share, and net cash flow on dividend policy. From the result, it shows that income growth has a significant influence on negative effect on dividend policy, value of share has a significant influence on positive effect on dividend policy, capital structure and net cash flow have no significant influence on dividend policy.

Teguh (2013) studied about analysis the influence of total debt to asset ratio, total debt to equity ratio, firms size, earning per share, and return on investment to dividend payout. The study found that Firms size, EPS, ROI, have negative influence to DPR, all independent variable have no significant influence to dividend.

This research further examines the effect of manufacturing company on dividend policy in Indonesia. The different of research are the the period of research (Manurung, 2009), variable used, number of companies and year, and also place of research (Teguh, and Amran (2013), and Ariani (2010). So the researcher of this research using the indicator are as follows: net income is

measured by EPS, operating cash flow is measured by CFPS, and dividend policy is measured by DPR.

1.2 Problem Definition

- a. What is the effect of net income on dividend policy on manufacturing sector listed in Indonesian Stock Exchange in period 2010 – 2013?
- b. What is the effect of operating cash flow on dividend policy on manufacturing sector listed in Indonesian Stock Exchange in period 2010 – 2013?
- c. What is the effect of net income and operating cash flow on dividend policy on manufacturing company listed in Indonesian Stock Exchange in period 2010 – 2013?

1.3 Research Objective

- a. To analyze the influence of net income on dividend policy on manufacturing sector listed in Indonesian Stock Exchange in period 2010 – 2013?
- b. To analyze the influence of operating cash flow on dividend policy at manufacturing sector listed in Indonesian Stock Exchange in period 2010 – 2013?
- c. To know the influence of net income and operating cash flow on dividend policy at manufacturing sector listed in Indonesian Stock Exchange in period 2010 – 2013?

1.4 Research Benefit

The benefits of this research are for researchers, for investor or potential investor, for analysis, and for the next research.

- a. For researchers, as input when there are opinion on the effect of net income and operating cash flows of the cash dividend policy.
- b. For investor, prospective investors, investment analysis from the results of this study it can provide reference for decision making related to the rate of return on investment in the form of corporate dividends.
- c. As a reference and basis for the development of the next similar research.

1.5 Writing Systematic

The writing systematic of this study is divided into five chapters and each chapter divided into some subchapter.

CHAPTER I: INTRODUCTION

This chapter describes about the research background, problem definitions, research objectives, research benefits, and writing systematic.

CHAPTER II : THEORETICAL FRAMEWORK

This chapter explains about literature review, theoretical framework and hypothesis that discuss about the theoretical analysis of this study that gathered from some sources, such as

books, journals, internet, and previous research and discuss about hypothesis development.

CHAPTER III: RESEARCH METHOD

This chapter contains the research methodology used in the preparation of this study, type of research, population and sampling, variable definition and measurement, types of data, data collection method, data analysis method, classical basic assumption and hypothesis testing which are used to analyze the data and any information needed.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

This chapter provides the result of research based on the data and information gathered that related with problems definitions.

CHAPTER V : CONCLUSION

This chapter contains the conclusion of research, limitation of research, and suggestion for the next research.

CHAPTER II

THEORITICAL FRAMEWORK

2.1 Dividend Policy

2.1.1 Definition of Dividend

Dividend is periodic payment made by the corporation to its stockholders from its current and past earnings (Gitman and Joehnk, 1998). From their definition that dividend is earning distribution made by a company to its stockholders as a return for their investment.

Dividends are the cash that cooperation make to their common stockholders (Timothy and Joseph, 2000), means that dividends provide the return common stockholders receive from the company for the equity capital they have supplied. In a fact the company do not currently payment reinvest in the company of the earnings that they get back. In this way they increase the ability of the firm to pay dividend in the future.

Kieso and Weygant (2010) found that generally based on a dividend distribution of accumulated retained earnings or other capital as additional capital deposited. The shares were distributed to shareholders as follows:

- a. *Cash dividend* is dividend payment in cash.
- b. *Stock dividend* is the payment of dividends in the form of shares with a certain proportion.

- c. *Script dividend* is dividends payable in the form of dividend payments in the future.
- d. *Property dividend* is the payment of dividends in the form of property.

2.1.2 Definition of Dividend Policy

Dividend policy is a form residual value after some of them pay to creditor (interest), government (taxes), and dividend (preferred stock) to shareholders (Lukviarman, 2008). So, dividend policy refers to the distribution of dividends in the amount of income remaining after corporate profits distributed to various parties in the above.

Dividend policy is one of the most important financial policies, not only from the view of the point of the company, but also from that of the shareholders, the consumer, the worker, regulatory bodies and government. For a company it is a crucial policy around which financial policies rotate.

A dividend policy is necessary because the market participants (current and potential stockholders) generally do not want a surprise. An instability of dividend policy make shareholders to receive the final dividend and cannot be sure that the next dividend will be in accordance with the wishes of shareholders. This uncertainty can result in a drop in the company of stock price. When stockholders do not get what they expect, they often show their displeasure by a selling their stock. A well planned policy appropriate for the company and its business strategy, it can prevent unpleasant for market

participants and protect the stock price. According to Kweon et al. (1998), there are factors affecting dividend policy:

a. Legal Requirement

There is no legal compulsion on the part of a company to distribute dividend. However there certain condition imposed by law regarding the way dividend is distributed. Basically, there are three rules relating to dividend to dividend payments. They are the net income, the capital reduction, and insolvency rule. The rule of net income determining paid dividend from previous years and next years. The capital reduction means to save creditor with not distribute dividends from capital. The insolvency rule means that the company may not pay dividend if not capable to paid dividend.

b. Firms liquidation Position

Dividend payout is also effected by the company liquidity position. Although insufficient retained earnings, the company may not be capable to pay cash dividends if earnings do not have the fund in cash.

c. Desire of Control

When the needs for additional fiancing, the management of the company may not prefer to issue additional common stock because the fright of dilution in control on management. Therefore, a company prefers to certain more earning to satisfy additional fiancing need which reduce dividend payment capacity.

d. Need for Funds

Dividends paid to stockholders use funds that the company could otherwise invest. Therefore, a company with enough capital investment opportunities may decide to pay little or no dividends. Alternatively, there may be an excess of cash and a shortage of good capital budgeting project available. This could lead to very large dividend payments.

e. Access to The Capital Market

If a company has easy access to capital markets in increasing additional financing, it does not require more retained earnings. So, the company became a high of dividend payment capacity. The companies have been developed with high profitability and have profit that can regularly enter the capital market and easy to get outside finding of the finance. While small companies are still new and a somewhat reckless would be risk for debtor candidate too.

f. Inflation

Inflation from the company make higher income because the calculation expenses is lower. To avoid that needed to increasing retained earning and decreasing distributin of dividend. This condition occurred after the fixed asset damaged and obsolete, funds generated from cost depreciation to fund the replacement. Because the price of replacement equipment continues will increase and funds are not enough. This requires a greater return means dividends unfavorably affected.

Dividends are paid by the company profits to shareholders, therefore it is part of the dividend income expected by shareholders. Large or small amounts of dividends paid affect the achievement of the goal of maximizing shareholders wealth. According to Ang, (1997 as cited in Teguh 2013), these are the factors considered in distributing a dividend:

- a. Profits of the company
- b. Prospects for business growth
- c. Cash position (liquidity)
- d. Legal aspects
- e. The state of the market

2.2 Theories of Dividend

Brigham and Houston (2001) suggest that there are three theories in dividend policy of investor preferences as follows:

a. Dividend Irrelevance Theory

This theory states that dividend policy has no effect on the value of the company or the cost of capital. This theory follows the opinion of Modigliani and Miller (1961) that the value of a company is not determined by the size of the dividend payout ratio (DPR), but is determined by Earning before income tax (EBIT) and business risk, mean that increase in the value of the company is affected by the ability of the company to get profit or

productive power assets of the company rather than on how the income is distributed between the dividend and retained earnings.

b. The Bird in Hand Theory

Myron Gordon and John Lintner (1963) found that the cost of capital will increase if the dividend payout is low, because investors prefer to receive a dividend from the capital gains. According to them, investors viewed the dividend yield is more definite than the capital gains yield. when viewed from the side of investors, the cost of equity capital from retained earnings is the required rate of return on the stock investors. Modigliani and Miller (MM) did not agree with Gordon and Lintner opinion, because most investors will reinvest the dividends received in the same company or companies that have a similar risk. Therefore, the level of risk of the company's cash flow to investors in the long run is only determined by the level of risk of operating cash flow, not by the division of the dividend policy

c. Tax Preference Theory

This theory proposed by Litzenger and Ramaswamy (1979) stated that because any the tax on profits of capital gains and dividends, investors prefer capital gains because it can delay tax payments. The reason investors prefer capital gains because it can delay the payment of tax by reason of:

1. Capital gains tax rate is lower than for the distribution of dividends, therefore rich investors may prefer companies hold and reinvest profits in the company.

2. The tax on profits is not paid until the stock is sold, the effect of the time value, the tax dollars paid in the future to have an effective cost that is lower than one dollar paid today.
3. If a share is owned by someone until dies, there is absolutely no capital gains tax payable, the heirs can avoid capital gains tax.

Based on the third concept is based on the theory above, the company can do the following:

- a. If the management believes that the dividend irrelevant theory of Modigliani and Miller that it is true then the company does not need to pay attention to dividend distributed.
- b. If the company trust on the bird in hand theory then the company must divide the all of EAT (Earning After Tax) in the form of dividends.
- c. If the management prefers to tax preference theory then the company must hold the all of profit from the company.

2.3 Dividend Payment Procedure

On the payment of dividends by the emiten, the emiten will always officially announce the schedule for the implementation of the payment of cash dividends or stock dividends. The companies pay dividend and the timing of those payments. The dividend procedures of a firm can be outlined as follows (King et al. 2000):

- a. Declaration Date

Declaration date is the announcement that the company's board of directors approved the payment of the dividend.

b. Ex-Dividend Date

The ex-dividend date is the date on which investors are cut off from receiving a dividend.

c. Date of Record

Date is the date on which the stockholders who are to receive the dividend are recognized.

d. Payment Date

Last is the payment date, the date on which the actual dividend is paid out to the stockholders of record.

Sometimes the corporations want to give something to the stockholders even though there is insufficient cash available to pay a cash dividend. At other times corporation do not want to pay a cash dividend because they want to build up their cash position. New share of common stock can be distributed to existing shareholders with no cash payment in two different way are stock dividend and stock split. Stock dividend is the company provides new shares as dividend payments to stockholders. Stock split is company shares outstanding breaking into smaller parts.

When managers decide to distribute the dividends, their primary concern seems to be to give shareholders a fair level of dividends. According to John Lintner (1956, cited in Brealey 1995), conducted a classic series of interview with corporate managers about their dividend policies determined in four facts:

1. Firms have long run target dividend payout ratios.
2. Managers focus more on dividend changes than on absolute levels.
3. Dividend changes follow shifts in long-run, sustainable level of earnings rather than short run earnings. Managers are unlikely to change dividend payouts in response to temporary variation in earnings.
4. Managers are reluctant to make dividend changes that might have to be reversed. They are particularly worried about having to rescind a dividend increase.

A firm that always stuck to its target payout ratio would have to change its dividend ratio whenever earnings changed. If the company enjoys a good year, dividends may increase but to a lesser extent than earnings. Managers will wait to view that the earnings increase is permanent before the dividend is fully adjusted. If managers are not ready to make dividend changes that might have to be reserved, and should also expect them to take future prospects into account when setting the payment. After found it when companies pay unexpectedly low dividends, earnings on the average subsequently decline. Then they pay unexpectedly high dividends, earnings subsequently increase. So, the investors pay close attention to the dividend decision. Therefore there are purposes of dividend payment as follows (Amran, 2013):

- a. To generate wealth for shareholders, because the high paid of dividend will influence the stock price.
- b. To show the liquidity of company with the payment dividends expected good performance of the company in the eyes of investors and can be

recognized that the company is able to deal with economic dynamic and able to deliver results to investor.

- c. To fulfill the needs of shareholder will be fixed income used for consumption. Dividends can be used as a communication tools between managers and shareholders.

2.4 Net Income

Net income represents the amount of money remaining after all operating expenses, interest, taxes and preferred stock dividends have been deducted from total revenue of the company.

According to Glenn A. Welsch, etc (1084), net income is one of the most important indicators of financial health of a business. Some people view the income statement as the most important of the three required financial statement, the other are the balance sheet and the statement of change in financial position. Because it is designed to report the amount of net income and the details of how that amount was accepted. And the amount of net income for the period represents a net increase in resources that flowed into the business entity during that period as a result of operational activities.

Net income is one of the most important indicators of financial health of a business. Some people view the income statement as the most important of the three required financial statement, the other are the balance sheet and the statement of change in financial position. Because it is designed to report the amount of net income and the details of how that amount was accepted. And the

amount of net income for the period represents a net increase in resources that flowed into the business entity during that period as a result of operational activities.

According to IAS No. 1 that the information of income necessary to assess potential changes in the economic resources that may be in control of future cash flows from existing resources, and to the formulation of judgment about the effectiveness of the company in the use of additional resources.

According to Belkoui (1993, as cited in Ariani, 2010) mention that accounting income have five criteria, as follows:

1. Accounting income is based on actual transactions, especially coming from the sale of goods or services.
2. Accounting income based on periodisasi and refers to the performance of the company during a specific period.
3. Accounting income based principles require revenue special understanding of the definition, measurement and income recognition.
4. Accounting income accounting requires the measurement of the cost (expenses) in form of historical cost.
5. Accounting income require for matching between income with the relevant costs and revenues associated with the income.

2.5 Cash Flow from Operating Activity

Cash flow is the net amount of cash receipts and cash disbursement of the company over a period of time. The amount of cash flows appear from operating activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows (IAS7, 13).

The most important cash flow of a business often relate to operating activities. There are two alternative methods for reporting cash flow from operating activities in the statement of cash flows that the direct method is major classes of gross cash receipts and gross cash payments are disclosed and the indirect method is profit or loss adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows (IAS7,18).

According to Stice, Stice, and Skousen (2004) stated that cash inflow and outflow in operationing activities. Cash inflows are the sale of goods or services, sale of securities traded, income of interest, and income of dividend. While cash outflows are inventory purchase, salary, tax, interest expense, other expense, and purchase of securities.

Interest paid and interest dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments (IAS7, 33).

Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows (IAS7, 34).

2.6 Previous Research

Teguh (2013) studied analysis the influence of total debt to asset ratio, total debt to equity ratio, firms size, earning per share, and return on investment to dividend payout. The study found that Firms size, EPS, ROI, have negative influence to DPR, all independent variable have no significant influence to dividend.

Amran (2013) conducted a research about the influence of growth, capital structure, the value of share and net cash flow on dividend policy. From the result show that income growth has a significant influence negative effect on

dividend policy, value of share has a significant influence positive effect on dividend policy, capital structure and net cash flow have no significant influence on dividend policy.

Ariani (2010) studied the influence of gross profit, operating profit and net income in predicting future cash flow. The study found that gross profit, operating profit, and net income have significant influence to cash flow. In addition, the researchers also proved that the gross profit has the most ability better than the operating profit and net income in predicting future cash flows.

Manurung (2009) studied the influence of net income and operating cash flow on dividend policy at manufacturing company go public listed in Indonesia Stock Exchange. From the result show that the variable of net income has no significant positive effect on Dividend Payout Ratio (DPR), while Operating Cash Flow (OCF) has a significant positive effect on DPR. Simultaneously all the variable have no significant effect on dividend payout ratio.

There were several researchs have been done related to this research. The researcher used references material and comparison in this study are as follows:

Table 2.1
Overview Previous Studies

Author	Title of Research	Variables	Results
Teguh (2013)	Analysis the influence of total debt to asset ratio, total debt to equity ratio, firms size, earning per share, and return on investment to dividend payout.	DV: DPR IV: EPS, DAR, DER,FS, and ROI	Firms size, EPS, ROI, have negative influence to DPR, all independent variable have no significant influence to dividend payout ratio.
Amran (2013)	The influence of growth, capital structure, the value of share and net cash flow on dividend policy	DV: DPR IV: income growth, capital structure, value of share, and net cash flow	Income growth has a significant influence negative effect on dividend policy, value of share has a significant influence positive effect on dividend policy, capital structure and net cash flow have no significant influence on dividend policy.
Ariani (2010)	The influence of gross profit, operating profit and net income in predicting future cash flow	DV: Cash Flow IV: gross profit, operating profit and net income	Gross profit, operating profit, and net income have significant influence to cash flow.
Manurung (2009)	The influence of net income and operating cash flow on dividend policy at manufacturig company go public listed in Indonesia Stock Exchange	DV: DPR IV: EPS, OCF per share	Net income has no significant positive effect on DPR, OCF has a significant positive effect on DPR.

2.7 Theoretical Framework

The theoretical framework is elaborates the relationships among the variables, explains the theory underlying these relations, and describes the nature and direction of the relationships. A good theoretical framework identifies and labels the important variables in the situation that are relevant to the problem identified.

The announcement of a dividend depends on the dividend policy made by the company. The size of the dividend is reflected in the dividend payout ratio. Dividend payout ratio are distributed to shareholders must pay attention to the company of net profit as dividends which are distributed as part of the profit. If the company makes a profit that is greater then the DPR also great. Conversely, if the company makes a profit which is less then the DPR also getting smaller.

Cash flow information is useful for assessing the company to produce of cash. Total cash flow from operating activities is a determine indicator of cash flow to pay the dividend that has been set in the dividend policy. The larger the company of operating cash flow, the greater the DPR to pay dividends and the smaller the company operating cash flow, the smaller the DPR also in charge of management less of cash to pay dividends to shareholders. This statement accordance by Weston and Copland (1996), that the size of the net cash flows produced by the company will affect the size of the dividend payout ratio are paid to shareholders.

2.8 Hypothesis Development

2.8.1 The influence of Earning Per Share (EPS) on Dividend Payout Ratio

Earning per share (EPS) is measures the amount of net income the company that is theoretically available for payment to the holders of its common stock. A company with high earnings per share ratio is capable of generating a significant dividend for investors.

Dividend payout ratio determines the amount of profit that is distributed in the form of cash dividends and profits on hold as a funding source. This ratio indicates the percentage of corporate profits paid to shareholders in the form of cash dividends. Thus an important aspect of the dividend policy is to determine the profits as dividends or retained earnings. If the retained earnings are great but dividends paid to small shareholders, it will be because the company needs funds. While the company is able to pay the dividend in cash, this is a positive form for investors because the company he considers to have a good performance of the company (Fitri, 2013).

EPS were distributed to investors depending on company policy in terms of dividend payments. EPS can indicate the level of a company, so if the distributed of EPS is high that the company capable of providing welfare to shareholder. But if EPS is low that the company failed to provide benefit as expected for shareholders. This is not in accordance with the research conduted

by Agustina (2009) stated that EPS has no significant positive effect on dividend payout ratio.

Based on the theoretical basis, previous studies and theoretical framework that have been described above, the hypothesis formulated as follows:

H1: Earning Per Share (EPS) has no significant positive effect on Dividend Payout Ratio

2.8.2 The influence of Operating Cash Flow (OCF) on Dividend Payout Ratio

Cash flow from operating activities is reported on the cash flow statement in a quarterly of the company and annual reports. Cash flow from operating activities also includes changes in working capital (current assets minus current liabilities), such as increases or decreases in inventory, short term debt, accounts receivable and accounts payable. Income that a company receives from investment activities is reported separately, since it is not from business operations.

According to Agustina (2009) and Dwi (2010), stated that the research result OCF has a significant positive effect on the dividend payout ratio. However, these results suitable to the theory expressed by Weston and Copeland (1996 as cited in Fitri, 2010) that the size of the net cash flow be produced by the company will affect the size of the dividend payout ratio paid to shareholders.

Based on the theoretical basis, previous studies and theoretical framework that have been described above, the hypothesis formulated as follows:

H2: Operating Cash Flow (OCF) has significant positive effect on Dividend Payout Ratio

2.8.3 The influence of EPS and OCF on Dividend Payout Ratio

Net income is one of the most important indicators of the financial health of a business. According to Glenn, Robert, and Daniel (1987) found that some people view the income statement as the most important of the three required financial statements, the others are the balance sheet and the statement of changes in financial position. Because it is designed to report the amount of net income and the details of how that amount was earned. The amount of net income for the period represents a net increase in resources (or a net decrease if a loss) that flowed into the business entity during that period as a result of operational activities.

The operating cash flows are beginning with net income and adjusting it of revenues and expenses that do not involve the receipt or payment of cash. A major advantage of the indirect method is that it focuses on the differences between net income and cash flows from operations. In this sense, it shows the relationship between the income statement, the balance sheet, and the statement of cash flows the data are available, the indirect method is normally less costly to use than the direct method. Because of this disadvantage, most firms use the indirect method to report cash flows from operations.

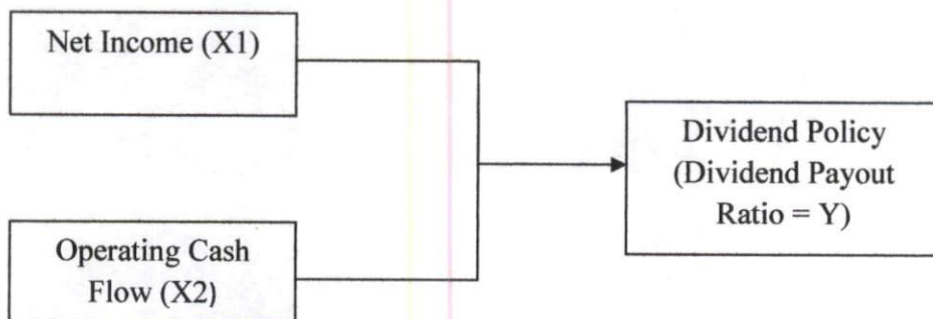
The independent variable that used in the research are Earning Per Share (EPS) and Operating Cash Flow (OCF). These variable influence

simultaneously effect to Dividend Payout Ratio (DPR). Thus, the hypothesis obtained as follwos:

H3: EPS and OCF have significant influence simultaneously effect influence on Dividend Payout Ratio

Based on the theoritical framework and hypothesis development, the relationship of EPS and OCF on Dividend Payout Ratio (DPR) can be simplified as shown below:

**Figure 2.1
Conceptual Model**



CHAPTER III

RESEARCH METHOD

3.1 Type of Research

Type of this research is hypothesis test by testing of all variables. Hypotheses testing will explain the nature of certain relationship, or establish the difference among groups or the independence of two or more factors in situation (Sekaran, 2003). The unit analysis of the research is manufacturing sector listed in Indonesian Stock Exchange for period 2010-2013.

3.2 Population and Sampling

The population of the research is manufacturing sector listed in Indonesian Stock Exchange in period 2010 – 2013. According to Sekaran (2003), population refers to entire group of people, events, or things of interest that research wishes to investigate.

The sample is a subset of the population, it comprises some members selected to make it specific it. The sampling technique used in this research is purposive sampling to obtain representative sample in accordance with the criteria determined. In order to analyze the data, author uses some criteria in data choosing. Data criteria that use are:

1. Manufacturing companies listed in Indonesian Stock Exchange for period 2010 – 2013.

2. Manufacturing that published the annual report and financial statement for period 2010 – 2013.
3. Manufacturing that have been paid dividend for period 2010 – 2013.
4. Availability of complete data.

Based on data criteria above, it sample of comparison with details as follows:

Table 3.1
Sample Selection

Sample Criteria	Amount of Companies
The number of manufacturing companies listed in Indonesia Stock Exchange for period 2010-2013	122
Manufacturing companies that did not paid dividend in Indonesia Stock Exchange for period 2010-2013	85
Uncomplete data	(5)
The number of the companies used as a sample in a year	32
Total of sample (32 x 4 year)	128

3.3 Variable and Measurement

The variables used in this study consist of an independent variable and dependent variable. Independent variable is the variables that explains or influences other variables.

3.3.1 Dependent Variable

The dependent variable is the variable of primary interest to the study (Sekaran, 2003). Dependent variable in this research is dividend policy.

Dividend policy of the company is reflected in the large dividend. Dividend Payout Ratio (DPR) is the result of a comparison between the dividend earnings available for shareholders in manufacturing sector listed on the Indonesia Stock Exchange in 2010-2013, the measurement of DPR has been used in previous research by Teguh (2013) and the formula can be written as follows:

$$\text{DPR} = \frac{\text{Dividend Per Share (DPS)}}{\text{Earnings Per Share (EPS)}} \times 100\%$$

3.3.2 Independent Variable

Independent variable is the variable that influenced and useful to explain variance in the dependent variable (Sekaran, 2003). Independent variables in this research are net income and operating cash flow. Independent variable is the variable that is varied or manipulated by the researcher.

a. Net Income

Net income is calculated by taking revenues and adjusting for the cost of doing business, depreciation, interest, taxes and other expenses. This number is found on the income statement of company, it is an important measure of how profitable the company over a period of time. The measure is also used in previous research by Teguh (2013) to calculate earnings per share (EPS). The formula can be written as follows:

$$\text{EPS} = \frac{\text{Earnings After Tax (EAT)}}{\text{Outstanding Share}}$$

b. Operating Cash Flow

Operating cash flow is net difference between cash receipt and disbursement equivalents from operating activities during the one year book. The measure is also used in previous research by Manrung (2009) and Ariani (2010) to calculate operating cash flow per share, the formula can be written as follows:

$$\text{CFPS} = \frac{\text{Operating Cash Flow}}{\text{Outstanding Share}}$$

3.4 Type and Source of Data

Type of data used in this research is secondary data. Secondary data refers to information gathered from sources that already existing. Data that to be collected are annual report of manufacturing company listed in Indonesian Stock Exchange for period 2010-2013, Indonesian Capital Market Directory (ICMD), official websites, internet, and other sources.

3.5 Data Collection Method

The relevant data are needed in order to acquire the solution of the problem. Data collection methods used in this research is documentation and literature study. Documentation method is a technique in collecting of the data by collecting and analyzing the important data about the company, specially related with Dividend Payout Ratio (DPR), Earnings Per Share (EPS), and Operating Cash Flow (OCF) of manufacturing sector listed in Indonesian Stock Exchange that are available at official website of Indonesian Stock Exchange

(www.idx.co.id) and Indonesian Capital Market Directory (ICMD). The data consist of the data in period 2010-2013.

Literature study is a method to collect the relevant theory with the research variable and the study of the theory itself. The literatures that are used in this research are the previous research paper, the journal research, books, and internet research that are related to this research.

3.6 Data Analysis Method

Data analysis method used in this research is multiple regression. This method is a tool of statistic analysis for test relation between one or more independent variables with dependent variable. The method in data analysis are described below:

3.6.1 Classical Test Assumption

Classical test assumption is the specified requirements prior to test the hypothesis through T-test and F-test as well as to identify and determine the accuracy of the model, it is necessary to test some of classical assumptions. Classical test assumption consist of normality test, heterocedasticity test, multicollinearity test, and autocorrelation test.

In conducting the analysis, the raw data is needed to be processed and produce useful information, but the data have not been obtained in accordance with the assumption or types of analysis. Because it does not have a linear relationship, it is necessary for the tranformation of the data such as the transformation of the logarithm natural. Logarithm natural is the logarithm

that used for all positive real numbers x and for the non zero complex number. Dividend payout ratio as dependent variable is transformed in the form of the logarithm natural (Latan and Temalagi, 2012).

3.6.1.1 Normality Test

Normality test aims to test whether a regression model, dependent variable and independent variables, or both have a normal data distribution or close to normal (Santoso, 1999). Normality test data using graph P-P plot, the results of processing SPSS 18, is done by looking at the spread of the data (dots) on the diagonal axis on the graph. Normal distribution will form a straight diagonal line, and plotting the data will be compared with the diagonal lines. If the data distribution is normal, then the line that describes the real data will follow the diagonal line.

3.6.1.2 Multicollinearity Test

Multicollinearity test is the existence of a perfect linear relationship or a certainty of variables that used in regression model. To detect multicollinearity, it can be done with some testing. One of the tests is looking at Variance Inflation Factor (VIP) and value of Tolerance. If the value of VIP less than 10.0 and Tolerance value is more than 0.1, it indicates that there is multicollinearity occurs (Priyatno, 2012).

3.6.1.3 Heterocedasticity Test

Heterocedasticity test aims to test whether the regression model of the residual variance inequality occur in one other observation to observed (Ghozali, 2009). If the residual variance from one observation to another

observation remains, then it is called heterocedasticity. To determine whether there is heterocedasticity it can be seen through the results of statistical tests. Statistical tests were performed using the Glejser Test. Glejser test is conducted by regressing the absolute value of residuals (absRes_1) as the dependent variables with the independent variables remain. If statistical significant independent variables affect the dependent variable, then there is any indication heterocedasticity.

3.6.1.4 Autocorrelation Test

Autocorrelation test is the correlation between members of set of observations. Autocorrelation assumption can be tested with Durbin Watson test. Ho accepted if the value of Durbin Watson greater than the estimation values of Durbin Watson (Priyatno, 2012).

Table 3.2
Criteria of Autocorrelation by Durbin-Watson

DW	Conclusion
<1.414	Positive autocorrelation
1.414 – 1.724	Without conclusion
1.724 – 2.276	No autocorrelation
2.276 – 2.586	Without conclusion
>2.586	Negative autocorrelation

The other way used to test autocorrelation by researcher is with using Runs Test. If the value of Asymp Sig (2-tailed) in Runs Test greater than the

significance level 5%, thus it can be concluded that there is no autocorrelation occurs.

3.6.2 Descriptive Analysis

Descriptive statistics provide a picture or description of data that can be seen from the average (mean), standard deviation, variance, maximum, minimum, sum, range, kurtoses and skewness (skewed distribution). Descriptive statistical analysis is used to describe the mechanisms of independent variable (EPS and CFPS) influence dividend policy in the manufacturing sector companies listed in Indonesia Stock Exchange 2010-2013.

3.6.3 Hypothesis Testing

In the hypothesis testing, research will conduct a series of steps to compute and process the data in order to support the hypotheses that have been proposed. The stage of calculation and data processing are as follow :

- a. Determine the information toward the sample criteria that will be used as a data research,
- b. Measure the variable proxies,
- c. Do the regression model.

This research used regression analysis model through T test or F test. The regression analysis aims to determine the relationship between independent

variables and dependent variable. The relationship between dependent variable (Y) and independent variable (X) are described as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Description:

Y	: Dividend Payout Ratio (DPR)
X1	: Earning Per Share (EPS)
X2	: Operating Cash Flow Per Share (CFPS)
$\beta_1 - \beta_2$: Partially regression coefficient
e	: error
α	: Constanta

3.6.3.1 Coefficient Determination Test (R^2)

Coefficient of determination (R^2) was essentially measures how much the ability of model in explaining the variation of independent variables (Ghozali, 2009). If coefficient of determination value is between zero and one. Small value in R^2 means the ability of independent variables in explaining the variation is very limited on dependent variables. If value close to one, it means that the independent variables provide almost all the information needed to predict the variation of the dependent variables.

3.6.3.2 Partial Regression Test (T Test)

T statistical test used to indicate how far an individual independent variable in explaining the variation in the dependent variable (Ghozali, 2009).

T-test is used to find the most dominant influence between each independent variable to explain the variation in the dependent variable with a significance level of 5%.

- a. If $-t_{table} < t_{test} < t_{table}$, then H_0 is accepted and H_a rejected, meaning that there is no effect of independent variables on the dependent variable partially.
- b. If $-t_{test} < -t_{table}$ or $t_{test} > t_{table}$, then H_0 is rejected and H_a accepted, it means that there is the effect of independent variables on the dependent variable partially.

T test can be done simply by looking at the significance of the t value of each variable contained in the output results of the regression analysis using SPSS version 18. If the number is smaller than the significance t_{α} (0.05), it can be said that there is a significant relationship between independent variable on the dependent variable.

3.6.3.3 Simultaneous Significant Test (F Test)

F statistic test basically shows whether all the variables free independent or included in the model have an influence each other- equal to the dependent variable (Ghozali, 2009).

F test can be done simply by looking at the significance F value contained in the output results of the regression analysis using the SPSS 18 version. If the number is smaller than the significance F_{α} (0.05), it can be said that there is a significant relationship between the independent variables on the dependent variable simultaneously.

CHAPTER IV
RESULTS AND DISCUSSIONS

4.1 Sample Description

The object of the research used in this study is manufacturing companies listed in Indonesian Stock Exchange in the period 2010-2013. Based on the criteria of samples, there are 32 companies to be sample in this research. The companies included in the sample of this study can be seen in the following table:

Table 4.1
List of Companies

No.	Code	Companies
1	ARNA	PT Arwana Citra Mulia Tbk.
2	AMFG	PT Asahimas Flat Glass Tbk.
3	ASII	PT Astra International Tbk.
4	AUTO	PT Astra Otoparts Tbk.
5	BRNA	PT Berlina Tbk.
6	IGAR	PT Champion Pasific Indonesia Tbk.
7	CPIN	PT Charoem Pokphand IndoneiaTbk.
8	DVLA	PT Darya-Varia Laboratorium Tbk.
9	EKAD	PT Ekadharma International Tbk.
10	GJTL	PT Gajah Tunggal Tbk.
11	GDYR	PT Goodyear Indonesia Tbk.
12	GGRM	PT Gudang Garam Tbk.
13	BRAM	PT Indo Kordsa Tbk.
14	INTP	PT Indocement Tunggal Prakasa Tbk.
15	INDF	PT Indofood Sukses Makmur Tbk.
16	JPFA	PT JAPFA Comfeed Indonesia Tbk.
17	KLBF	PT Kalbefarma Tbk.
18	LION	PT Lion Metal Works Tbk.
19	LMSH	PT Lionmesh Prima Tbk.
20	MAIN	PT Malindo Fedmill Tbk.
21	TCID	PT Mandom Indonesia Tbk.
22	MERK	PT Merck Tbk.

23	MLBI	PT Multi Bintang Indonesia Tbk.
24	MRAT	PT Mustika Ratu Tbk.
25	TKIM	PT Pabrik Kertas Twiji Kimia Tbk.
26	SMSM	PT Selamat Sempurna Tbk.
27	SMGR	PT Semen Gresik Tbk.
28	BATA	PT Sepatu Bata Tbk.
29	IKBI	PT Sumi Indo Kabel Tbk.
30	SCCO	PT Supremi Cable Manufacturing & Commerce Tbk.
31	TSPC	PT Tempo Scan Pasific Tbk.
32	UNVR	PT Unilever Tbk.

4.2 Descriptive Statistic Analysis

According to data from the research sample, researcher conducts a test with using descriptive statistic. Descriptive statistic gives the description about the data that will be researched. Descriptive data consists of mean, maximum and minimum value, and also value of standard deviation from all the variables. Descriptive analysis in this research conducted from 2010 to 2013 and the detail can be seen in the table below:

Table 4.2
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	128	.10	6.91	3.4083	.97347
EPS	128	2.71	10.40	5.9957	1.60800
CFPS	128	-145.82	56053.58	1402.6846	6284.44567
Valid N (listwise)	128				

Source: Secondary data processed

From the table above, it showed that the amount of sample from the companies listed in Indonesian Stock Exchange in period 2010-2013. Dividend Payout Ratio (DPR) from the sample have mean 3.4083 with the minimum value of 0.10 and maximum value of 6.91 from the sample 128 companies. The standard deviation of dividend payout ratio is 0.97347 it

means that the dividend payout ratio is a value of statistics data that most widely spread than other variables.

Earnings Per Share (EPS) shows the minimum and maximum value of 2.71 and 10.40. But the mean and standard deviation of 5.9957 and 1.60800 it indicates that dividend payout ratio (DPR) report positive earning per share in the sample of 128 manufacturing companies.

Operating Cash Flow Per Share (CFPS) have mean 1402.6846 with the minimum value of -145.82 and maximum value of 56053.58 with standard deviation 6284.44567 from the sample of 128 companies, it can be concluded that the data used is not good.

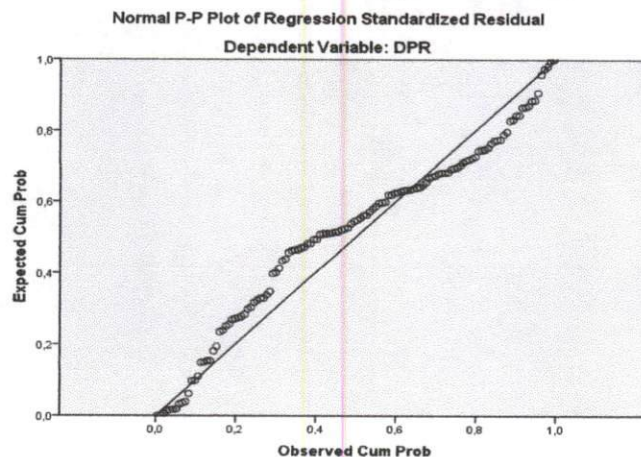
4.3 Process and Analysis of Result

4.3.1 Classical Assumption Test

4.3.1.1 Normality Test

Normality test aims to test whether a regression, dependent variable and independent variables, or both have a normal distribution or not.

Figure 4.1
Normality Test Result



Source: Secondary data processed

Based on the results of processing SPSS 18 that shown above, normal probability plot formed by data test is close to diagonal line and follow the diagonal line 45°. The data on variable of research has normal distribution.

4.3.1.2 Multicollinearity Test

Multicollinearity test aims to test the existence of a perfect linear relationship or a certainty of variables that used in regression model. To detect multicollinearity it can be done with some testing, it can be seen from Value Inflation Factor (VIF) ≥ 10 and Tolerance value ≤ 0.1 .

Table 4.3
Multicollinearity Test Result

Mode 1		Collinearity Statistics	
		Tolerance	VIF
1	EPS	.757	1.322
	OCF	.757	1.322

a. Dependent variable: DPR

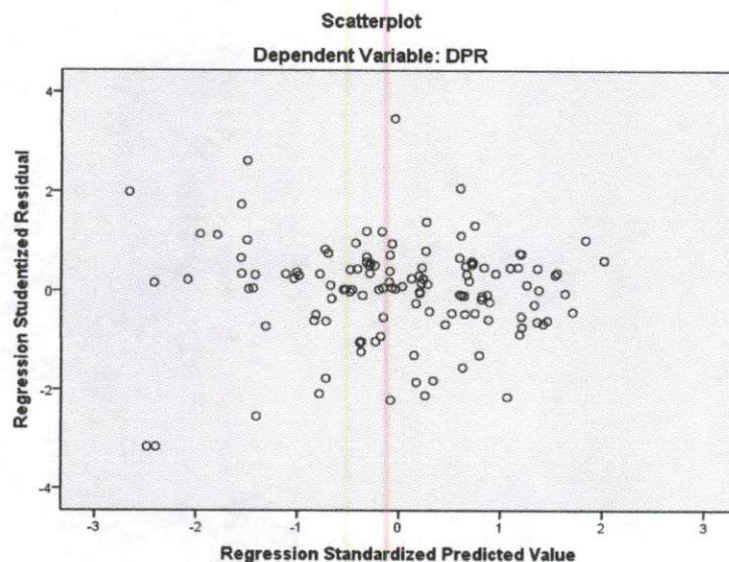
Source: Secondary data processed

Table 4.3 above shows that the value of multicollinearity statistics for Tolerance value is 0.757 and VIP value is 1.322. This means that the independent variables used in this study did not show any problem of multicollinearity, so the regression model is viable for used VIF and Tolerance actually determining correlation between Earnings Per Share (EPS) and Operating Cash Flow (OCF) as independent variables.

4.3.1.3. Heterocedasticity Test

Heterocedasticity test is a test to identify the difference of residual variance from an observation with other observation. Heterocedasticity test is used when the regression model has inequality variables from residual which conducted from one observation to other observation. If residual variance on observations to other observations is fixed (same), then it is called homocedastic and if it is different it called as heterocedasticity. To determine, researcher can use Scatterplot Graph. First criteria is the points that form must be spread randomly, and second criteria is scattered both in above or below the number 0 on the Y axis, if this condition are met and then absence from heterocedasticity thus the regression models are fit for used.

Figure 4.2
Heterocedasticity Test Result



Source: Secondary data processed

From the Scatterplot graph above (Figure 4.2) shows that the dots spread randomly and scattered both in above or below the number 0 on the Y axis. It indicates that there is homocedasticity happen or free from heteroscedasticity.

4.3.1.4 Autocorrelation Test

Autocorrelation test aims to test the correlation among the members of set observations. Autocorrelation can be tested by Durbin Watson test. The decision making for autocorrelation or H_0 accepted if the value of Durbin Watson greater than the estimation values of Durbin Watson.

Table 4.4
Autocorrelation Test Result

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.235 ^a	.016	.125	.97347	1.822

a. Predictors: (Constant), Earnings Per Share (EPS), Operating Cash Flow Per Share (CFPS)

b. Dependent Variable: Dividend Payout Ratio (DPR)

Source: Secondary data processed

From table 4.4 above it showed that the value Durbin Watson (DW) is at from 1.822 to 1.742 – 2.276. This indicates that no autocorrelation, thus the autocorrelation test is met.

4.4 Result

4.4.1 Multiple Linear Regression Analysis

The result of the data analysis is using regression model and calculated by SPSS 18. The regression analysis produces regression

coefficients indicating the direction of the causal relationship between the independent variables and the dependent variable. Based on the SPSS output, the partial effect of two independent variables namely Earnings per Share (EPS) and Operating Cash Flow (OCF) are shows below:

Table 4.5
Multiple Regression Analysis and T-test Result

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3,887	,370		10,506	,000
EPS	-,081	,062	-,133	-1,304	,195
CFPS	2,656E-6	,000	,017	,168	,867

a. Dependent Variable: DPR

Source: Secondary data processed

From table above, it showed that regression equation for Dividend Payout Ratio (DPR) is obtained as follow:

$$\text{DPR} = 3.887 - 0.081 \text{ EPS} + 2.656 \text{ CFPS}$$

The equation above shows that the constant is 3.887 it can be interpreted as if the independent variable where EPS and CFPS are assumed to be constant so the Dividend Payout Ratio will be 3.887. The most influence independent variable is CFPS with coefficient value of 2.656. Then, EPS with coefficient value of -0.081.

Coefficient of EPS is shown negative values. It means that, this variable has negative relationship on Dividend Payout Ratio (DPR).

Whereas the CFPS coefficient is shown positive values. It means that this variable has positive relationship on Dividend Payout Ratio (DPR).

4.4.2 Coefficient Determination (R^2)

The coefficient of determination (R^2) aims to measure how large percentage of independent variables that can be explained by dependent variable. From the table 4.4 showed that the R value of 0.235 on the research model and the coefficient of determination of 0.125 or 12.5%. It shows that the ability of the independent variables in explaining the variance of the dependent variable is equal to 12.5%, there is still 87.5% variance dependent variable that can not be explained by the independent variables in this research model.

4.4.3 Hypothesis Testing

4.4.3.1 T Test

The result of T-test to calculate regression analysis in this research can be seen in table 4.5 showed that independent variables, EPS and OCF in regression model partially significant effect on dependent variable, that is DPR manufacturing companies in Indonesia Stock Exchange for period 2010-2013. Decision making is based on the probability of significance 0.05 or 5%. Test the significance of each variable is described as follows:

1. Test of Hypothesis 1

Based on the analysis of the data above, it appears that Earning Per Share (EPS) has positive no significant influence on the Dividend Payout Ratio (DPR). The result from table 4.5 above, it can be seen that

t count of EPS is -1.304 and significance value is 0.195 where the value is not significant because bigger than 0.05, it means EPS has a negative and no significant influence on DPR. is rejected. The result of the study indicate that the decreasing of EPS has influence in increasing on Dividend Payout Ratio (DPR).

2. Test of Hypothesis 2

Based on the analysis of the data above, it appears that Operating Cash Flow (OCF) has positive significant influence on the Dividend Payout Ratio (DPR). The result from table 4.5 above it can be seen that T count of OCF is 0.168 and significance value is 0.867 where the value is not significant because bigger than 0.05 that means OCF has positive and no significant influence on DPR is accepted. It means that the higher number in operating cash flow can be influence an increasing Dividend Payout Ratio (DPR).

4.4.3.2 F Test

F test essentially indicates that whether all independent variables have an influence towards its dependent variable. The result of calculation seen in Table 4.6 below:

Table 4.6
F-test Result

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.895	2	.947	1.000	.371 ^b
	Residual	118.456	125	.948		
	Total	120.351	127			

a. Predictors: (Constant), CFPS, EPS

b. Dependent Variable: DPR

Based on the analysis result of regression analysis anova on the table 4.6 it shows that all independent variables have no significant effect on dependent variable it means that H3 is rejected. This can be evidenced from the calculation of F value is 1.000 with significance 0.371, which is bigger than 0.05 because it indicates that Earning Per Share (EPS) and Operating Cash Flow Per Share (CFPS) are not simultaneously influence on Dividend Payout Ratio (DPR).

4.5 Discussion

Table 4.7
Summary of Hypothesis and Results

	Hypothesis	Accepted/ Rejected
H1	Earning Per Share has no significant negative effect on Dividend Payout Ratio	Rejected
H2	Operating Cash Flow has no significant positive effect on Dividend Payout Ratio	Accepted
H3	Earning Per Share and Operating Cash Flow simultaneously have no significant influence on Dividend Payout Ratio	Rejected

4.5.1 The Influence of Earning Per Share on Dividend Payout Ratio

Hypothesis 1 proposed that EPS has no significant negative effect on dividend payout ratio of manufacturing companies. Based on the research results of multiple linear regression equation, it obtained a coefficient for EPS is -0.081 with a significance value of 0.195. This suggests that the level of significance is higher than 0.05 and it can be concluded that H1 is rejected, means EPS variable has not influence to dividend payout ratio.

EPS were distributed to investors depending on company policy in terms of dividend payments. EPS can indicate the level of a company, so if the distributed of EPS is higher than the company capable of providing welfare to shareholder. But if EPS is low, it means that the company failed to provide benefit as expected for shareholders.

This result gives similar results to the research did by Teguh (2013). EPS is not effect the company dividend payout ration because when earning per share can be used as a resources fund in a company, it can be a form of retained earnings, so with high EPS it can be said that a company can give amount of dividend because all are related to funding policies in a company. For a developing company, it only choose retained earnings than distributed its dividend.

4.5.2 The influence of Operating Cash Flow on Dividend Payout Ratio

Hypothesis 2 proposed that OCF has no significant positive effect on Dividend Payout Ratio. Based on the research results of multiple linear

regression equation, it is obtained a coefficient for OCF is 2.656 with a significance level of 0.867. This suggests that the level of significance is higher than 0.05 and it can be concluded that H2 is accepted, means that OCF variable has not influence to Dividend Payout Ratio (DPR).

This research is similar to a research done by Fitri (2013) who found net cash flow has no significant influence on dividend payout ratio. Net cash flow identify that the company will paid higher ratio dividend, because the company often use cash to invest equipment, inventories, and other asset for expansion of the company in order to increase growth and management usually maintaining the level of certain liquidity to provide financial flexibility and protection against uncertainty.

4.5.3 The influence of EPS and OCF on Dividend Payout Ratio

Based on data analysis simultaneously EPS and OCF have no significant effect on dividend payout ratio of manufacturing company listed in Indonesia Stock Exchange period 2010-2013. EPS and OCF variable partially have no influence on dividend payout ratio. Based on the result it shows that F count is 1.000 with a significance $0.371 > 0.05$, it means that all independent variables are not influence simultaneously effect to Dividend Payout Ratio (DPR). Based on the results known that 21.5% of dividend payout ratio manufacturing companies in Indonesia Stock Exchange which can be explained by independent variable (EPS and OCF), while the remaining 87.5% explained by the other variable beyond this regression equation model or in other words it can not be explained by the independent variables in the research model.

CHAPTER V

CONCLUSION

5.1 Conclusion

This research is aimed to test whether there is an influence of net income and operating cash on dividend policy of manufacturing sector on Indonesia Stock Exchange (IDX) in period 2010-2013. Net income is measured by EPS which reflecting the manufacturing industry of net income. Operating cash flow which is proxy by operating cash flow per share. Hypothesis developed and associated with those variables and tested with multiple linear regressions. According to result and analysis, it can be concluded that:

1. Net income, measured by Earning Per Share has no significant negative effect on dividend policy of manufacturing sector listed Indonesia Stock Exchange (IDX) period 2010-2013, where the value is $0.195 > 0.05$ from the t result. This is because the companies used net income as a resource of fund for developing company. So, the information of net income is not the main thing that used as a measurement by management in making decision to determine the amount of dividend payout ratio on dividend policy.
2. Operating cash flow, measured by Operating Cash Flow Per Share has no significance positive effect on dividend policy of manufacturing sector listed Indonesia Stock Exchange (IDX) period 2010-2013 which is $0.867 > 0.05$ from the t result. It is occurred because the value of operating cash flow is positive from the operating activity, operating cash flow is one of the considerations for management in determining the dividend policy.

3. Data simultaneously shows that the independent variables, EPS, and OCF have no significant influence on dividend payout ratio of manufacturing sector listed Indonesia Stock Exchange (IDX) in period 2010-2013, it means that the company does not considered net income and operating cash flow simultaneously to make decision of dividend policy.

5.2 Limitation and Future Research Agenda

This study has a limitation that is, the validity of the data in this research can make the result of the research being bias because the data that used in the research just taken from banks based on some criterias in sample choosing. The limitation are as follow:

1. This research only used period 2010 – 2013
2. The writer do research about net income and operating cash flow without other factors that can influence this reseach.
3. The researcher only used two variables which are net income and operating cash flow as independent variables to influence dividend payout ratio.

5.3 Rekomendation

In this research, net income and operating cash flow have no influence on dividend policy. Because there is some correlation to each other between net income and operating cash flow are 87.5% such as flexibility of capital structure, corporate debt, firm age, and other variable influence dividend payout ratio (DPR).

Based on the results of this study, researcher tried to provide suggestions for the company to increase the confidence of the shareholders of the company in order to be able to show the excellent performance and provide sufficient information to investors about the company's development. It is because the announcement of dividend is important information that should tell to shareholders. It is also important for investor to determine the performance of the company before investing with a view of company profile and information about the financial statements of company.

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Appendix

The value of DPR, EPS, OCF are before the transformation of data as follow:

Year	No	Emiten	DPR	EPS	OCF
2010	1	ARNA	34,83	43,07	62,93
	2	AMFG	10,49	762,61	1283,18
	3	ASII	13,24	3548,60	71,81
	4	AUTO	40,00	1479,83	20,04
	5	BRNA	35,73	251,89	87507,60
	6	IGAR	47,81	33,05	80,88
	7	CPIN	4,81	1347,89	0,15
	8	DVLA	30,30	99,00	106,44
	9	EKAD	18,26	43,80	24974,46
	10	GJTL	5,03	238,36	0,29
	11	GDYR	15,40	1623,89	476,17
	12	GGRM	40,84	2154,93	1,49
	13	BRAM	41,93	298,13	127,70
	14	INTP	30,02	876,05	0,92
	15	INDF	39,55	336,30	0,80
	16	JPFA	78,84	462,98	0,51
	17	KLBF	55,27	126,66	0,02
	18	LION	26,93	742,68	625,30
	19	LMSH	8,53	765,68	1004,97
	20	MAIN	17,52	530,87	44,45
	21	TCID	52,01	653,74	1245,63
	22	MERK	151,49	5303,32	7124,25
	23	MLBI	1,10	21021,17	15190,13
	24	MRAT	20,00	57,05	10,78
	25	TKIM	4,79	313,04	106,16
	26	SMSN	52,64	104,48	100,78
	27	SMGR	50,00	612,53	1027,11
	28	BATA	27,72	4690,39	4081,10
	29	IKBI	66,52	15,03	-118,61
	30	SCCO	30,45	295,57	-145,82
	31	TSPC	27,52	108,64	128,46
	32	UNVR	1002,02	443,90	474,34
2011	1	ARNA	38,26	52,28	78,38
	2	AMFG	10,30	776,49	1073,06
	3	ASII	37,55	5273,25	24,97
	4	AUTO	36,22	286,75	67,06
	5	BRNA	26,17	43,94	1,40
	6	IGAR	18,90	37,52	25,56

	7	CPIN	29,15	144,07	0,07
	8	DVLA	29,18	107,96	65,20
	9	EKAD	17,63	39,71	25595,80
	10	GJTL	3,68	271,48	0,87
	11	GDYR	28,65	907,64	299,87
	12	GGRM	38,81	2576,89	2,05
	13	BRAM	122,77	122,18	31,51
	14	INTP	29,95	978,36	1,06
	15	INDF	30,62	571,43	0,57
	16	JPFA	23,90	313,83	-3,53
	17	KLBF	62,66	155,61	0,03
	18	LION	29,70	1009,98	772,98
	19	LMSH	8,81	113,14	520,84
	20	MAIN	20,67	120,92	39,07
	21	TCID	53,03	697,75	363,76
	22	MERK	80,14	10319,58	8912,08
	23	MLBI	1,10	24080,78	31882,06
	24	MRAT	54,10	60,25	164,25
	25	TKIM	26,21	95,39	90,98
	26	SMSN	98,49	152,30	294,29
	27	SMGR	49,52	667,72	194,46
	28	BATA	28,28	4355,01	5432,59
	29	IKBI	71,85	58,45	16,53
	30	SCCO	31,82	534,22	652,70
	31	TSPC	31,72	12607,00	130,62
	32	UNVR	100,64	545,78	715,40
2012	1	ARNA	46,92	86,46	129,51
	2	AMFG	10,61	607,46	118,04
	3	ASII	11,90	554,79	220,63
	4	AUTO	39,80	279,17	139,47
	5	BRNA	20,92	239,05	1,47
	6	IGAR	33,30	28,16	30,66
	7	CPIN	29,24	150,39	0,10
	8	DVLA	18,33	97,14	106,44
	9	EKAD	14,03	57,46	51130,41
	10	GJTL	15,97	195,23	0,49
	11	GDYR	15,42	1336,94	341,29
	12	GGRM	37,95	2086,00	2,05
	13	BRAM	33,52	391,25	86,50
	14	INTP	61,51	1293,97	1,54
	15	INDF	31,52	437,98	0,84
	16	JPFA	3,25	474,82	140,56
	17	KLBF	57,57	124,72	0,03

	18	LION	24,52	1223,50	1280,49
	19	LMSH	2,12	4136,52	1102,99
	20	MAIN	20,22	175,58	172,89
	21	TCID	42,50	661,14	1245,63
	22	MERK	74,18	4812,86	6203,94
	23	MLBI	28,93	21518,98	25622,21
	24	MRAT	53,73	44,06	29,69
	25	TKIM	70,00	268,09	106,33
	26	SMSN	365,33	4830,27	3897,59
	27	SMGR	77,41	830,27	942,74
	28	BATA	37,11	4217,16	3567,16
	29	IKBI	71,48	57,18	2346,89
	30	SCCO	58,96	697,38	667,14
	31	TSPC	53,25	140,82	141,12
	32	UNVR	62,65	478,48	680,43
2013	1	ARNA	49,95	32,03	0,16
	2	AMFG	10,26	779,63	1,27
	3	ASII	45,04	479,63	0,05
	4	AUTO	29,53	294,6	0,07
	5	BRNA	60,67	227,58	4,33
	6	IGAR	98,61	20,28	0,03
	7	CPIN	29,8	154,34	0,00
	8	DVLA	39,49	132,95	0,10
	9	EKAD	16,19	55,6	41,52
	10	GJTL	8,31	324,91	0,00
	11	GDYR	17,47	1574,09	0,38
	12	GGRM	35,56	2249,76	0,00
	13	BRAM	36,12	484,5	0,03
	14	INTP	66,13	1361,02	0,00
	15	INDF	49,8	285,16	0,00
	16	JPFA	3,86	71,94	0,00
	17	KLBF	44,97	137,8	0,03
	18	LION	32,13	1245,03	1,01
	19	LMSH	3,49	1498,22	1,05
	20	MAIN	20,11	142,33	0,03
	21	TCID	45,86	806,79	1,26
	22	MERK	79,8	7832,36	5,94
	23	MLBI	169,62	32764,93	0,56
	24	MRAT	23	24,85	0,11
	25	TKIM	6,75	148,21	0,00
	26	SMSN	256,92	154,49	0,20
	27	SMGR	45	905,37	1,02
	28	BATA	51,56	5334,11	0,34

	29	IKBI	53,36	68,17	0,02
	30	SCCO	32,3	464,45	0,10
	31	TSPC	58,73	127,7	0,10
	32	UNVR	99,93	701,52	0,82

The value of DPR, EPS, OCF are after the transformation of data as follow:

Year	No	Emiten	DPR	EPS	OCF
2010	1	ARNA	3,55	3,76	62,93
	2	AMFG	2,35	6,64	1.283,18
	3	ASII	2,58	8,17	71,81
	4	AUTO	3,69	7,30	20,04
	5	BRNA	3,58	5,53	8.750,60
	6	IGAR	3,87	3,50	80,88
	7	CPIN	1,57	7,21	0,15
	8	DVLA	3,41	4,60	106,44
	9	EKAD	2,90	3,78	24.974,46
	10	GJTL	1,62	5,47	0,29
	11	GDYR	2,73	7,39	674,17
	12	GGRM	3,71	7,68	1,49
	13	BRAM	3,74	5,70	127,70
	14	INTP	3,40	6,78	0,92
	15	INDF	3,68	5,82	0,80
	16	JPFA	4,37	6,14	0,51
	17	KLBF	4,01	4,84	0,02
	18	LION	3,29	6,61	625,30
	19	LMSH	2,14	6,64	1.004,97
	20	MAIN	2,86	6,27	44,54
	21	TCID	3,95	6,48	1.245,63
	22	MERK	5,02	8,58	7.124,25
	23	MRAT	0,10	9,95	12.190,13
	24	MLBI	3,00	4,04	10,78
	25	YKIM	1,57	5,75	106,16
	26	SMSN	3,96	4,65	100,78
	27	SMGR	3,91	6,42	1.027,11
	28	BATA	3,32	8,45	4.081,10
	29	IKBI	4,20	2,71	-118,61
	30	SCCO	3,42	5,69	-145,82
	31	TSPC	3,31	4,69	128,46
	32	UNVR	6,91	6,10	474,34
2011	1	ARNA	3,64	3,96	78,38
	2	AMFG	2,33	6,65	1.073,06

	3	ASII	3,63	8,57	24,97
	4	AUTO	3,59	5,66	67,06
	5	BRNA	3,26	3,78	1,40
	6	IGAR	2,94	3,62	25,56
	7	CPIN	3,37	4,97	0,07
	8	DVLA	3,37	4,68	65,20
	9	EKAD	2,87	3,68	25.595,80
	10	GJTL	1,30	5,60	0,87
	11	GDYR	3,36	6,81	299,87
	12	GGRM	3,66	7,85	2,05
	13	BRAM	4,81	4,81	31,51
	14	INTP	3,40	6,89	1,06
	15	INDF	3,42	6,35	0,57
	16	JPFA	3,17	5,75	-3,53
	17	KLBF	4,14	5,05	0,03
	18	LION	3,39	6,92	772,98
	19	LMSH	2,18	4,73	520,84
	20	MAIN	3,03	4,80	39,07
	21	TCID	3,97	6,55	363,76
	22	MERK	4,38	9,24	8.912,08
	23	MRAT	0,10	10,09	31.882,06
	24	MLBI	3,99	4,10	164,25
	25	YKIM	3,27	4,56	90,98
	26	SMSN	4,59	5,03	294,29
	27	SMGR	3,90	6,50	194,46
	28	BATA	3,34	8,38	5.432,59
	29	IKBI	4,27	4,07	16,53
	30	SCCO	3,46	6,28	652,70
	31	TSPC	3,46	9,44	130,62
	32	UNVR	4,61	6,30	715,40
2012	1	ARNA	3,85	4,46	129,51
	2	AMFG	2,36	6,41	118,04
	3	ASII	2,48	6,32	220,63
	4	AUTO	3,68	5,63	139,47
	5	BRNA	3,04	5,48	1,47
	6	IGAR	3,51	3,34	30,66
	7	CPIN	3,38	5,01	1,10
	8	DVLA	2,91	4,58	106,44
	9	EKAD	2,64	4,05	51.130,41
	10	GJTL	2,77	5,27	0,94
	11	GDYR	2,74	7,20	341,29
	12	GGRM	3,64	7,64	2,05
	13	BRAM	3,51	5,97	86,50

	14	INTP	4,12	7,17	1,54
	15	INDF	3,45	6,08	0,84
	16	JPFA	1,18	6,16	140,56
	17	KLBF	4,05	4,83	0,03
	18	LION	3,20	7,11	1.280,49
	19	LMSH	0,75	8,33	1.102,99
	20	MAIN	3,01	5,17	172,89
	21	TCID	3,75	6,49	1.245,63
	22	MERK	4,31	8,48	6.203,94
	23	MRAT	3,36	9,98	25.622,21
	24	MLBI	3,98	3,79	29,69
	25	YKIM	4,25	5,59	106,33
	26	SMSN	5,90	8,48	3.897,59
	27	SMGR	4,35	6,72	942,74
	28	BATA	3,61	8,35	3.567,16
	29	IKBI	4,27	4,05	2.346,89
	30	SCCO	4,08	6,55	667,14
	31	TSPC	3,97	4,95	141,12
	32	UNVR	4,14	6,17	680,43
2013	1	ARNA	3,91	3,47	0,16
	2	AMFG	2,33	6,66	1,27
	3	ASII	3,81	6,17	0,05
	4	AUTO	3,39	5,69	0,07
	5	BRNA	4,11	5,43	4,33
	6	IGAR	4,59	3,01	0,03
	7	CPIN	3,39	5,04	0,00
	8	DVLA	3,68	4,89	0,10
	9	EKAD	2,78	4,02	41,52
	10	GJTL	2,12	5,78	0,00
	11	GDYR	2,86	7,36	0,38
	12	GGRM	3,57	7,72	0,00
	13	BRAM	3,59	6,18	0,03
	14	INTP	4,19	7,22	0,00
	15	INDF	3,91	5,65	0,00
	16	JPFA	1,35	4,28	0,00
	17	KLBF	3,81	4,93	0,03
	18	LION	3,47	7,13	1,01
	19	LMSH	1,25	7,31	1,05
	20	MAIN	3,00	4,96	0,03
	21	TCID	3,83	6,69	1,26
	22	MERK	4,38	8,97	5,94
	23	MRAT	5,13	10,40	0,56
	24	MLBI	3,14	3,21	0,11

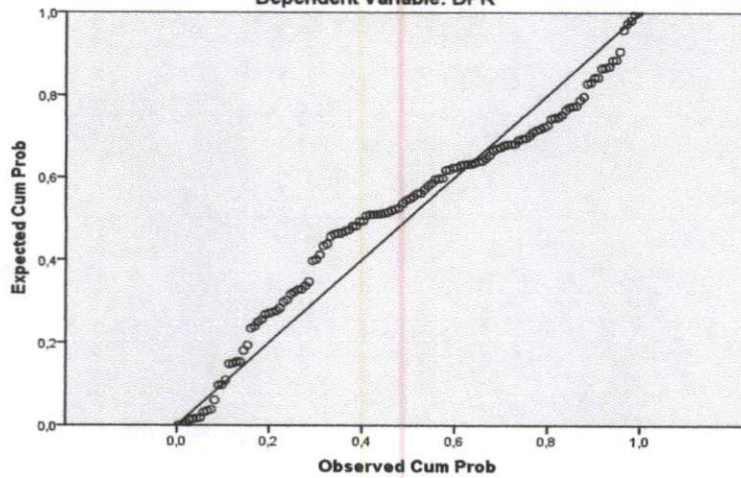
	25	YKIM	1,91	5,00	0,00
	26	SMSN	5,55	5,04	0,20
	27	SMGR	3,81	6,81	1,02
	28	BATA	3,94	8,58	0,34
	29	IKBI	3,98	4,22	0,02
	30	SCCO	3,48	6,14	0,10
	31	TSPC	4,07	4,85	0,10
	32	UNVR	4,60	6,55	0,82

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	128	.10	6.91	3.4083	.97347
EPS	128	2.71	10.40	5.9957	1.60800
CFPS	128	-145.82	56053.58	1402.6846	6284.44567
Valid N (listwise)	128				

Normality Test Result

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: DPR



Multicollinearity Test Result

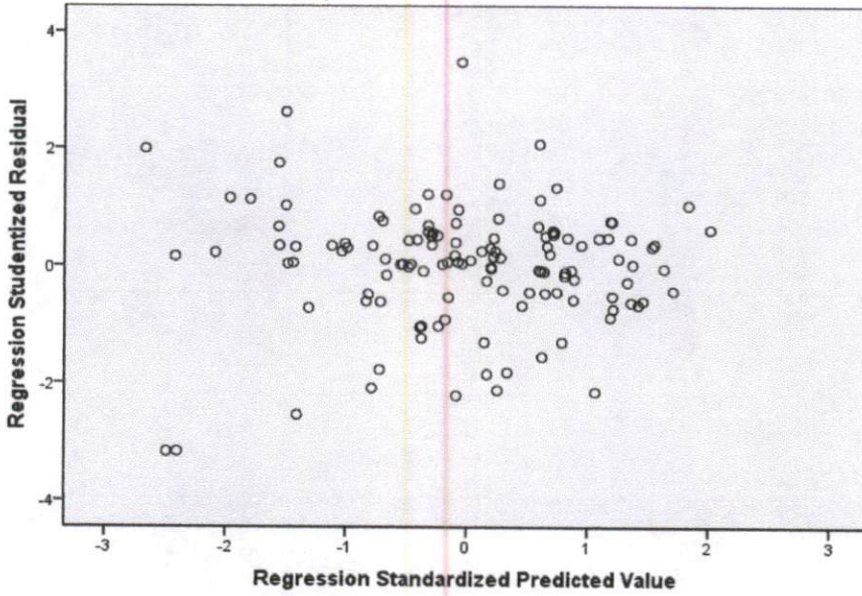
Mode		Collinearity Statistics	
		Tolerance	VIF
1	EPS	.757	1.322
	OCF	.757	1.322

a. Dependent variable: DPR

Heterocedasticity Test Result

Scatterplot

Dependent Variable: DPR



Autocorrelation Test Result

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.235 ^a	.016	.125	.97347	1.822

a. Predictors: (Constant), Earnings Per Share (EPS), Operating Cash Flow Per Share (CFPS)

b. Dependent Variable: Dividend Payout Ratio (DPR)