Research Journal of Applied Sciences 9 (7): 382-388, 2014
ISSN: 1815-932X


# The Determinant of Dividend Payout Policy in the Emerging Market of Indonesia: Internal Versus External Factors

[1]Augustina Kurniasih, [2, 3]Hermanto Siregar,
[2, 4]Roy Sembel and [2, 3]Noer Azam Achsani
[1]Mercu Buana University, Jakarta, Indonesia
[2]Graduate School of Management and Business,
[3]Department of Economics, Bogor Agricultural University, Bogor, Indonesia
[4]Christian University of Indonesia, Jakarta, Indonesia

**Abstract:** Dividend payments allegedly influenced by internal and external factors. There were numerous research concerning the determinant of dividend in the developed markets but there was only a little in the emerging markets. Using panel data analysis, this study aims to find factors that affect the payment of dividends in Indonesia, one of the most dynamic emerging markets in the world. The results showed that internal factors affecting the payment of dividends are the policy of financing (debt to equity ratio and earnings per share), operating policies (sales growth, firm size, return on assets, gross profit margins and liquidity), agency problems (free cash flow and ownership share) and the risks facing the company. Furthermore, inflation as one of the external factors also affects dividend payments. On the other hand, growth of assets as a proxy for the investment policy was no significant impact on the dividend payment.

**Key words:** Dividend payout, dividend yield, internal-external factors, panel data, sales growth

## INTRODUCTION

Company's financial decisions can generally be categorized into three types: investment decisions, financing decisions and dividend decisions. If the company has made the right investment decisions and selected the optimal combination of financial decisions then the cash flow generated from investment projects needs to be decided whether the funds would be invested back into the business or would be paid out as dividends to investors.

Dividends are distributions of current or accumulated earnings given to shareholders of a company based on the pro-rate of the number of shares owned. Dividends are usually given in the form of cash but they may also be given in the form of stock or other property. Dividends are also defined as a taxable payment declared by the board of directors of the company. Dividends provide an incentive for investors to own stock in a stable company even if the company is not experiencing major growth.

Since, Miller-Modigliani made propositions about the irrelevance of dividend, financial economists developed a number of theories regarding the dividend. Crutchley and Hansen (1989) showed that the presence of tax makes dividend relevant (DeAngelo and Masulis, 1980; Miller, 1988; Chew, 1993). In another theory, the relevance of dividend is associated with information asymmetry where the managers have information that the investors do not have (Myers and Majluf, 1984; Ross, 1977). Furthermore, the theory that states the dividend is relevant relates to the agency theory developed by Jensen and Meckling (1976). It then extended by Rozeff (1982) and Easterbrook (1984). To reduce the cash flow in the hands of managers and thereby reducing agency costs, Jensen (1986) argues that it is better to return excess cash to shareholders as dividends in order to reduce the possibility of the usage of funds in non-profitable ways. Similar findings showed by Kouki and Guizani (2009) in Tunisia.

Starting from Lintner (1956), it is recognized that the earning is one of many important factors in determining the dividend payment. There are many other determinants which vary from one industry to another as well as between a capital markets to another capital market. Some previous research about factors that affect dividend policy has been widely carried out in developed countries. Research on dividend policy in the United States among others has been carried out by Easterbrook (1984), Crutchley and Hansen (1989), Saxena (1999), Fung (2004)

**Corresponding Author:** Augustina Kurniasih, Mercu Buana University, Jakarta, Indonesia

and Gill *et al.* (2010). In addition, Gugler (2003) examined the problem in Austria. Stacescu (2004) studied it in Switzerland. Al-Najjar (2009) and Al-Malkawi (2007) studied the problem in Jordan. In 2007, Kowalewski and Oleksandr (2007) studied it in Poland. Hedensted and Raaballe (2008) carried out the research in Denmark as well as Chen and Dhiensiri (2009) did it in New Zealand (2009). There are only limited studies in this topic in developing countries. They are among others, Claessens *et al.* (2000) who studied in East Asia including Indonesia, Malaysia and Filipinas. Adelegan (2000) carried it out in Nigeria. Mehar (2002) did the research in Pakistan whereas Anand (2004) studied it in India.

Several studies concerning the relation between capital markets and macroeconomic conditions have been conducted, primarily in the equity markets of developed countries. Bange (1996) investigated about forecasting of economic growth through capital markets. The studies were conducted on the capital markets of Germany, Japan and the United States. Kramer (1997) explained that a number of macroeconomic variables have affected the profitability and corporate profits and may also affect the expectations on dividends and dividend yield. Carlson (2001) analyzed why the dividend yield so low in the US. It is allegedly due to the influence of macroeconomic factors. In 2002, Fifield *et al.* (2002) was analyzing the influence of macroeconomic variables on the return of a broad cross-section of Emerging Stock Markets (ESMs). It was found six domestic variables that affect stock return such as inflation, foreign currency exchange rates, short-term interest rates, Gross Domestic Product (GDP), money supply and trade balance.

Indonesia in one of the most dynamic emerging countries located in South-East Asia (the most growing region in the world together with North-East Asia). Together with China and India, Indonesia recorded continuous economic growth, even in the period of subprime mortgage crisis in 2007 to 2008 which had a significant impact to all other countries in the world. Despite of its dynamic economic growth, however, the Indonesian stock exchange market is still relatively unexplored and therefore there is a great challenge for further research. Some studies was already conducted using Indonesian stock market data such as Achsani and Strohe (2002, 2006), Pranowo *et al.* (2010a, b), Kurniasih *et al.* (2011a, b) and Pasaribu (2011).

So far, researchers couldn't find the research concerning the determinant of dividend policy using Indonesian stock exchange data. This study, however, aims to examine the determinant of dividend policy in the Indonesia Stock Exchange. This study will explore factors influencing the decision of dividend payments by the companies listed on the Indonesia Stock Exchange both internal and external factors.

## MATERIALS AND METHODS

**Data and the hypothesis:** The research was conducted on the companies listed on the Stock Exchange in 2009 which distributed cash dividends continuously during the period of 2000 to 2008. The data consists of payment of dividend as the dependent variable (proxied by dividend yield) and 13 explanatory variables which consist of 11 internal factor variables and 2 external factor variables (inflation and interest rates). All data compiled from the quarterly and annual report of the companies listed at the Jakarta Stock Exchange. Summary of variables used in this study are presented in Table 1. The hypotheses proposed in this study were:

- Presumably the greater the RE, the higher the company's ability to pay dividends
- Presumably the greater the DER, the lower the company's ability to pay dividends
- Presumably the greater the risk (BETA), lower the company's ability to pay dividends
- Presumably the higher the growth of the company's assets, the lower the firm's dividend payment
- Presumably the higher LASET, the higher the company's ability to pay dividends
- Presumably the higher the SG, the lower the company's ability to pay dividends
- Presumably the higher the GPM, the higher the company's ability to pay dividends
- Presumably the higher the EPS, the higher the company's ability to pay dividends
- Presumably the higher liquidity of the company, the higher the firm's dividend payment
- Presumably controlling shareholder will influence on dividend payments
- Presumably the higher the FCF, the higher the firm's dividend payment
- Presumably the higher the rate of inflation, the higher the firm's dividend payment
- Presumably the higher the interest rate, the higher the dividend payment

Researchers employ the panel data analysis to find out the relationship between dividend yield (as dependent variable) and the 13 independent variables as described earlier. The model can be written as follows:

Table 1: Research variables and measurements

| Variables | Proxy | Measurement |
|---|---|---|
| **Dependent variable** | | |
| DY | Dividend payment | $\text{Yield} = \frac{\text{Dividen/Stock}}{\text{Stock Price}}$ |
| **Independent variable** | | |
| FCF | Agency problem | FCF = CF(operation)-capex+disposition of property and equipment |
| OWN | Agency problem | Dummy variabel, 0 = not concentrated<br>1 = concentrated |
| Laset | Size | LASET = ln(Total Aset) |
| LIQUID | Operational policy | $\text{LIQUID} = \frac{\text{Current\_assets} - \text{current\_liabilities}}{\text{sales}}$ |
| DER | Financing policy | $\text{DER} = \frac{\text{TotalDebt}}{\text{TotalEquity}}$ |
| RE | Financing policy | $\text{RE} = \frac{\text{Retained\_Earning}}{\text{Amount\_circulated\_stock}}$ |
| GPM | Operational policy | $\text{GPM} = \frac{\text{Sales} - \text{base\_price}}{\text{sales}}$ |
| EPS | Operational policy | $\text{EPS} = \frac{\text{Net\_income}}{\text{Amount\_circulated\_stock}}$ |
| SG | Operational policy | $\text{SG} = \frac{\text{Sales\_year\_t} - \text{sales\_year\_t} - 1}{\text{Sales\_year\_t} - 1}$ |
| AG | Investment policy | $\text{AG} = \frac{\text{Asset\_t} - \text{asset\_t} - 1}{\text{Asset\_t} - 1}$ |
| Beta | Company risk | Rit = a+beta Rmt |
| INF | Macroeconomic factor | Inflation = Inflation rate |
| SBI | Macroeconomic factor | SBI = Interest rate |

$$\text{Yield} = a_0 + a_1\text{AG} + a_2\text{BETA} + a_3\text{DER} + a_4\text{EPS} + a_5\text{FCF} + a_6\text{GPM} + a_7\text{INF} + a_8\text{Laset} + a_9\text{LIQ} + a_{10}\text{OWN} + a_{11}\text{RE} + a_{12}\text{SBI} + a_{13}\text{SG} + e \quad (1)$$

Where:

Yield = Dividend yield
AG = Asset Growth
Beta = Company risk
DER = Ratio of debt/equity
EPS = Earning Per Share
FCF = Free Cash Flow
GPM = Gross Profit Margin
INF = Inflation rate
LASET = Company size
LIQUID = Liquidity
OWN = Percentage of stock ownership
RE = Retained Earning
SBI = Interest rate
SG = Sales growth
$a_0$ = Constant
$a_1, ..., a_{12}$ = Regression coefficient
e = Error term

In this study, all the three static panel data analysis, i.e., Pooled Least Square (PLS), Fixed Effect Method (FEM) and Random Effects Method (REM) will be simulated. By using various methods of estimation, it is expected get the best model by comparing the variation of estimation, the goodness and the validity of the models.

## RESULTS AND DISCUSSION

**Descriptive statistics:** Statistical descriptions of all variables are presented in Table 2. Table 2 shows that the average dividend yield of the companies listed on the Stock Exchange during the period of 2004 to 2008 was 5.30% with a range of 0.08-141.59%. The maximum value of the dividend yield suggests that there are large companies that pay dividends higher than year-end closing stock price.

Table 2: Descriptive statistics of variables

| Variables | Minimum | Maximum | Mean | SD |
|---|---|---|---|---|
| DY | 0.0009 | 1.4159 | 0.0523 | 0.0918 |
| AG | -0.4229 | 1.5187 | 0.1891 | 0.2382 |
| BETA | -0.1880 | 4.7919 | 0.6184 | 0.5498 |
| DER | -3.3822 | 273.0344 | 1.8634 | 19.3381 |
| EPS | -177.0000 | 15483.6200 | 667.6364 | 1506.9086 |
| FCF | -9.3279 | 0.6772 | 0.0512 | 0.5546 |
| GPM | 0.0466 | 0.8632 | 0.3298 | 0.1785 |
| INF | 6.0600 | 13.3300 | 9.3000 | 2.7386 |
| LASET | 10.6490 | 19.3190 | 14.6411 | 1.8834 |
| LIQUID | -5.1649 | 9.7465 | 0.2238 | 1.2350 |
| OWN | 0.0000 | 1.0000 | 0.7000 | 0.4600 |
| RE | -590.9800 | 40807.6100 | 2737.2585 | 5819.1018 |
| SBI | 7.4000 | 11.5600 | 9.1510 | 1.4008 |
| SG | -1.0000 | 115.2900 | 0.6200 | 6.5788 |

The company's growth in terms of assets (AG) has a negative minimum value. This means that there is a dividend paying company which has a negative asset growth. In terms of risk (BETA), some companies have negative risk (return the company has a direction opposite to the market return) and others have positive risk (the direction the company returns with the market return). On the average, the risk of the firms is positive.

Companies which are paying the dividend have an average value DER of 1.86 whereas the minimum value is -33.82. This shows that among the companies which are paying the dividend, there are who have debt or a negative value of equity. EPS of the companies that pay

dividends is ranging from -177 to 15,484 with an average of 667. Those EPS values show that among the companies who are paying the dividend, there are some companies which experience a loss. The minimum value of FCF of the companies is negative while the average value is 0.0512 or 5%. The companies' profitability based on GPM is ranged from 0.04-0.86 while the average value is 33%. This means using the gross profit, the companies which are paying the dividend have a positive gross profit.

The average of company's Liquidity (LIQUID) is 22% of sales value. LIQUID minimum negative value indicates that among the companies which are paying the dividend, there are some companies that have the value of current debts greater than the value of current assets or illiquid corporate position. The size of companies based on the natural logarithm of the value of corporate assets (LASET) is varied from 10.6-19.3. The average value of LASET is 14.6. Company Ownership (OWN) can be classified into two, i.e., concentrated and distributed. The tendency is that the ownership of companies listed on BEI that pay dividends is concentrated.

Minimum Retained Earnings (RE) is also negative, i.e., -591 which shows that there are some companies that pay dividends but they have negative retained earnings. In 2007, the Government of Indonesia issued Law No. 40 on Limited Liability Companies. Chapter IV of the legislation is containing about the Work Plan, Annual Reports and Use of Income. In Article 71, paragraph 3 states that: "Dividends referred to in paragraph (2) may only be distributed if the company has positive retained earnings". However, it is found that the companies with negative retained earnings is paying dividends so it is necessary to note that the period of observation of this study is from 2004 to 2008.

Growth companies based on the value of sales (SG) has a negative minimum value. This means that there are companies that experience negative sales growth. The average value of sales growth is 63%.

**Panel data analysis:** Researchers simulate the model using panel data analysis, relating the dependent variable of dividend yield as function of 13 explanatory variables. In the final model, researchers exclude interest rates (SBI) due to its high multicolinearity with the inflation (INF). Table 3 presents the results of the regression estimation on the determinants of dividend payments using the three static methods of panel data. The coefficient estimates presented are the result of three methods of estimation which are Pooled Least Square (PLS), Fixed Effect Method (FEM) and Random Effects Method (REM).

Table 3: The results of estimated coefficient of the determinants of company dividend payments in the Indonesian Stock Exchange

| Parameters | Pooled LS | FEM | REM |
|---|---|---|---|
| Constants | 0.0472*** | -0.0097 | 0.0159 |
| AG(-1) | -0.0035 | -0.0093 | -0.0178 |
| Beta | -0.0156*** | -0.0214*** | -0.0202 |
| DER(-1) | -0.000038 | -0.0003** | -0.00006 |
| EPS | 0.000003 | 0.000005** | 0.000004 |
| FCF | 0.0033 | 0.0092*** | 0.0039 |
| GPM | 0.0445*** | 0.0712*** | 0.0883 |
| INF | -0.0002 | 0.0013*** | 0.0007 |
| LASET(-1) | -0.0012 | 0.0017** | 0.0004 |
| OWN | 0.0169*** | 0.0119** | 0.0111 |
| RE(-1) | -0.0000008 | 0.000002** | -0.0000003 |
| SG(-1) | 0.000018 | -0.00002*** | 0.000002 |
| WC | 0.0086*** | 0.0064* | 0.0268* |
| F-test | 7.1555 [0.0000] | 4540.191 [0.0000] | 3.3935 [0.0001] |
| Chow F-test | - | 20.7124 [0.0000] | - |
| Hausman test | - | - | 0.0000 [1.0000] |
| $R^2$ | 31.35% | 99.96% | 17.80% |
| Adj. $R^2$ | 26.97% | 99.94% | 12.56% |

***, ** and * mean significance significant at level at the 1, 5 and 10% level, respectively; Numbers in [ ] express the p-value

Among the three models, the FEM approach is the most appropriate one. Panel regression results indicate that among the twelve variables which were thought to affect the payment of dividends, eleven variables have a significant effect. One variable that is influential but not significant is Asset Growth (AG). Based on the result of FEM approach (Table 3), it is known that the factor that has the most impact on the company's dividend policy is GPM (profitability) whereas factor that has the smallest influence is RE (funding policy) of the previous period. Influence of the explanatory variables to the dividend yields can be summarized as follows:

**Asset Growth (AG):** The growth of assets in this study is the variable of investment policy. The results of estimation show that the coefficient of AG variable in the previous year (AG (-1)) has a coefficient of -0.0093 but the $p = 0.2386$ (greater than $\alpha = 10\%$). This means that asset growth does not significantly affect the company's dividend policy.

**Beta:** Beta as a measure of value of corporate risk has a coefficient -0.0214 which is significant at $\alpha = 1\%$ level. It means that the higher the risk of the company, the lower its paid dividend. One unit increases in Beta, ceteris paribus will be followed by the dividend yield fall 0.0214 (2.14%). This result is consistent with the hypothesis and similar with the finding of Kowalewski and Oleksandr (2007). The greater the risks, the lower the dividend paid by the company.

**DER:** The debt to equity ratio of the previous year (lagged DER) has a coefficient of -0.0003 and significant at $\alpha = 5\%$. This means that the increase of previous year's

DER by 1 unit, ceteris paribus will be followed by the decrease of the dividend yield by 0.0003 units (0.03%). Negative effect of DER on the dividend payment is in line with the hypothesis and similar with the findings of Adelegan (2000), Saxena (1999), Al-Malkawi (2007) and Gill *et al*. (2010).

**EPS:** The ability of the company in generating profits in the current year by using the size of the EPS has a coefficient of 0.000005 and significant at $\alpha$ = 5%. An increased of EPS by one unit will increase the dividend yield by 0.0005%. This finding is with the hypothesis and similar with the results of Al-Malkawi (2007) as well Ahmed and Javid (2009).

**FCF:** The coefficient of the variable Free Cash Flow (FCF) is 0.0092 and statistically significant at $\alpha$ = 1%. It indicates that if the increase of FCF will followed by the increase of the company's dividend yield by 0.0092. This outcome is consistent with the hypothesis and similar with the results of Chen and Dhiensiri (2009) as well as Kouki and Guizani (2009).

**GPM:** Policy of the company's operations through the establishment of the base price determines the yield of Gross Profit (GPM). The results show that the coefficient of GPM is 0.0712 and statistically significant. This means that if the increase of GPM by one unit will increase dividend yield by 0.0712 or 7.12%. This condition is line with the theory that states income affects the ability to pay dividends. Higher income will increase the company's ability to pay dividends. In this study, GPM is the most influencing factor that affects the company's dividend payment.

**Inflation:** Inflation (INF) has a statistically significant coefficient of 0.0013. This means that 1% if ncrease in inflation will be followed by the increased of dividend yield of 0.13%. Company increases its dividend payment because of the rising of prices (inflation) so that the real value of dividends will be adjusted. Another meaning, inflation simply increases the nominal value of the volume of corporate profits therefore it allows the company to pay higher dividends. Alternatively, inflation causes the purchasing power goes down then people's desire to invest in stocks also declined. In order to maintain the interest of people to stay in the market, companies give an incentive through the payment of dividends. The result is in line with those of Basse (2009) who found that inflation contributed to the growth of dividends.

**Size of the company:** The previous year's firm size (LASET) positively affected the current year dividend payment. The coefficient of LASET variable (-1) is 0.0017 and statistically significant at 5% level. The greater the size of the company is the higher the dividend is paid. Research done by Llyod *et al.* (1985) also indicated the same thing. The size of the company has a role in explaining the dividend-payout-ratio of the company. The company which is growing tends to become mature so it tends to have easier access to enter the capital markets As a result, the company's dependence on internal financing is reduced and therefore increase its ability to pay higher dividends. Crutchley and Hansen (1989) also found a positive effect of firm size on dividend. They noted that the impact of the scale of firm size is consistent with the view that the flotation cost for large companies is worth less, so they are economically more able to pay dividends. Other studies also showed similar results such as Saxena (1999), Kowalewski Oleksandr (2007) as well as Hedensted and Raaballe (2008).

**The company liquidity:** Liquidity of the company which is proxies by current assets minus current liabilities divided by sales (LIQUID) has positive influence on corporate dividend yield. LIQUID coefficient is 0.0064 and statistically significant at 10% level. This figure shows that if the company's liquidity is increased by one unit, ceteris paribus, then the dividend yield will be increased by 0.0064 or 0.64%. This finding is consistent with the hypothesis. The more liquid the company is the more the ability to pay dividends. Mehar (2002) also expect a positive effect of the liquidity position on the dividend but he found in Pakistan that it is not positively related but negative.

**Company ownership:** Company Ownership (OWN) significantly influences the company's dividend payment. This means that the companies listed on the stock exchange during the period of 2004 to 2008 which are paying the dividend are those the more concentrated shareholder company and therefore it can be concluded that the stock ownership affects dividend yield of the companies listed on the stock exchange. This findings is similar with those of Kouki and Guizani (2009).

**Retained earnings:** The prior year Retained Earnings (RE (-1)) has a statistically significant coefficient of 0.000002. This means that an increase of the previous year company's retained earnings will incease the current year's dividend yield by 0.0002%. In this sense, the Limited Liability Company Act of 2007 which requires the company may pay dividends if the balance of earnings is positively supported by the market. The similar results are also found for example by Hedensted and Raaballe (2008) in Germany and Ahmed and Javid (2009) in Pakistan.

**Sales growth:** This study shows that the Sales Growth (SG) significantly affects the payment of dividends with the coefficient of -0.00002 indicating that a one unit increase of SG will be followed by the decrease of dividend yield by 0.00002 (0.002%). Increasing sales need funds to finance the cost of operation. Consequently. the ability to pay dividends is decrease. However, it has a relatively small effect (only 0.002%). The same results were also documented by Chen and Dhiensiri (2009) and Gill *et al*. (2010).

## CONCLUSION

Dividend policy set by the company is influenced by many factors, both within the company and outside the company. Generally, the determinant of dividend payment in the Indonesian Stock Exchange is similar with those of the developed markets. The biggest factor influencing a firm's dividend policy on the Indonesian Stock Exchange is the ability of the company to generate gross profit. While, the factor that has the smallest effect is retained earnings.

In this study, researchers did not include factors such as dividend initiation and dividend omission due to the incompleteness of the data. Researchers, therefore, suggest that these variables should be included in the future research. Moreover, impact of the different ownership by international versus local investors as well as institutional versus retail or individual investors would be very interesting.

## REFERENCES


Achsani, N.A. and H.G. Strohe, 2002. Stock market return and macroeconomic factors: Evidence from the Jakarta stock exchange of Indonesia 1990-2001. Proceedings of the 10th Annual Conference on Pacific Basin Finance, Economic and Accounting, August 7-8, 2002, Nanyang Technological University, Singapore.

Achsani, N.A. and H.G. Strohe, 2006. Asymmetric Stock Market Interdependencies: US Dominance and Spillover Effects into Asia and Europe. In: Integration in Asia and Europe: Historical Dynamics, Political Issues and Economic Perspectives, Welfens, P.J.J., F. Knipping, S. Chirathivat and C. Ryan (Eds.). Springer, Berlin, Germany, ISBN-13: 9783540287292, pp: 145-164.

Adelegan, O., 2000. The impact of growth prospect, leverage and firm size on dividend behaviour of corporate firms in Nigeria. Proceedings of the CSAE Conference on Opportunities in Africa: Micro-Evidence on Firms and Households, April 9-10, 2000, St. Catherine's College, Oxford, UK., pp: 1-31.

Ahmed, H. and A.Y. Javid, 2009. The determinants of dividend policy in Pakistan. Int. Res. J. Finance Econ., 29: 110-125.

Al-Malkawi, H.A.N., 2007. Determinants of corporate dividend policy in Jordan: An application of the tobit model. J. Econ. Administrative Sci., 23: 44-71.

Al-Najjar, B., 2009. Dividend behaviour and smoothing new evidence from Jordanian panel data. Stud. Econ. Finance, 26: 182-197.

Anand, M., 2004. Factor influencing dividend policy decisions of corporate india. ICFAI J. Applied Finance, 10: 5-16.

Bange, M.M., 1996. Capital market forecasts of economic growth: New tests for Germany, Japan and the United States. Q. J. Bus. Econ., 35: 3-17.

Basse, T., 2009. Dividend policy and inflation in Australia: Results from cointegration tests. Int. J. Bus. Manage., 4: 13-16.

Carlson, J.B., 2001. Why is the dividend yield so low? Federal Reserve Bank of Cleveland, Research Department, Cleveland, OH., USA., April 1, 2001, pp: 1-4.

Chen, J. and N. Dhiensiri, 2009. Determinants of dividend policy: The evidence from New Zealand. Int. Res. J. Finance Econ., 34: 18-28.

Chew, D.H., 1993. The New Corporate Finance: Where Theory Meets Practice. McGraw-Hill, New York, USA., ISBN-13: 9780070110465, Pages: 680.

Claessens, S., S. Djankov and L.H.P. Lang, 2000. The separation of ownership and control in East Asian corporations. J. Financial Econ., 58: 81-112.

Crutchley, C.E. and R.S. Hansen, 1989. A test of the agency theory of managerial ownership, corporate leverage and corporate dividends. J. Financial Manage., 18: 36-46.

DeAngelo, H. and R.W. Masulis, 1980. Optimal capital structure under corporate and personal taxation. J. Financial Econ., 8: 3-29.

Easterbrook, F.H., 1984. Two agency-cost explanation of dividends. Am. Econ. Rev., 74: 650-659.

Fifield, S.G.M., D.M. Power and C.D. Sinclair, 2002. Macroeconomic factors and share returns: An analysis using emerging market data. Int. J. Finance Econ., 7: 51-62.

Fung, S.K.S., 2004. Empirical studies of dividend policy: Regularities, information content and firm valuation. Ph.D. Thesis, Boston University, Boston, MA., USA.

Gill, A., N. Biger and R. Tibrewala, 2010. Determinants of dividend payout ratios: Evidence from United States. Open Bus. J., 3: 8-14.

Gugler, K., 2003. Corporate governance, dividend payout policy and the interrelation between dividends, R&D and capital investment. J. Banking Finance, 27: 1297-1321.

Hedensted, J.S. and J. Raaballe, 2008. Dividend determinants in Denmark. Management Working Paper 2008-3, April 12, 2008, University of Aarhus, Aarhus, Denmark, pp: 1-32.

Jensen, M.C. and W.H. Meckling, 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. J. Financial Econ., 3: 305-360.

Jensen, M.C., 1986. Agency cost of free cash flow, corporate finance and takeovers. Am. Econ. Rev., 76: 323-329.

Kouki, M. and M. Guizani, 2009. Ownership structure and dividend policy evidence from the Tunisian stock market. Eur. J. Scient. Res., 25: 42-53.

Kowalewski, O. and T. Oleksandr, 2007. Corporate Governance and Dividend Policy in Poland. Wharton Financial Institutions Center Working Paper No. 07-09.http://papers.ssrn.com/sol3/papers.cfm? abstract_id=986111.

Kramer, C.F., 1997. Explaining the dividend yield in the United State. Finance Development/December 1997, pp: 24-25. https://www.imf.org/external/pubs/ft/fandd/1997/12/pdf/kramer.pdf.

Kurniasih, A., H. Siregar, R. Sembel and N.A. Achsani, 2011a. Corporate devidend policy in an emerging market: Evidence from the Indonesian Stock Exchange (IDX) 2001-2008. Int. Res. J. Finance Econ., 72: 70-83.

Kurniasih, A., H. Siregar, R. Sembel and N.A. Achsani, 2011b. Market reaction to the cash dividend announcement: An empirical study from the Indonesia Stock Exchange (IDX) 2004-2009. Eur. J. Econ. Finance Admin. Stud., 40: 92-100.

Lintner, J., 1956. Distribution of incomes of corporations among dividends, retained earning and taxes. Am. Econ. Rev., 46: 97-113.

Llyod, W.P., J.S. Jahera Jr. and D.E. Page, 1985. Agency costs and dividend payout ratios. Q. J. Bus. Econ., 24: 19-29.

Mehar, A., 2002. Corporate governance and dividend policy. MPRA Paper No. 619, pp: 1-13. http://mpra.ub.uni-muenchen.de/619/1/MPRA_paper_619.pdf.

Miller, M.H., 1988. The Modigliani-Miller propositions after thirty years. J. Econ. Perspect., 2: 99-120.

Myers, S. and N. Majluf, 1984. Corporate financing and investment decisions when firms have information that investors do not have. J. Financial Econ., 13: 187-221.

Pasaribu, R.B., 2011. Overreaction anomaly in Indonesia stock exchange: Case study of LQ-45 stocks. J. Econ. Bus., 5: 87-115.

Pranowo, K., N.A. Achsani, A. Manurung and N. Nuryartono, 2010a. Determinant of corporate financial distress in an emerging market economy: Empirical evidence from the Indonesian stock exchange 2004-2008. Int. Res. J. Finance Econ., 52: 81-90.

Pranowo, K., N.A. Achsani, A. Manurung and N. Nuryartono, 2010b. The dynamics of corporate financial distress in emerging market economy: Empirical evidence from the Indonesian stock exchange 2004-2008. Eur. J. Social Sci., 16: 138-149.

Ross, S.A., 1977. The determination of financial structure: The incentive-signalling approach. Bell J. Econ., 8: 23-40.

Rozeff, M.S., 1982. Growth, beta and agency costs as determinants of dividend payout ratios. J. Financial Res., 5: 249-259.

Saxena, A.K., 1999. Determinants of dividend payout policy: Regulated versus unregulated firms. http://www.westga.edu/~bquest/1999/payout.html.

Stacescu, B., 2004. Dividend policy in Switzerland. October 30, 2004. http://www.phd-finance.uzh.ch/static/Courses/Downloads/SRP_Stacescu.pdf.