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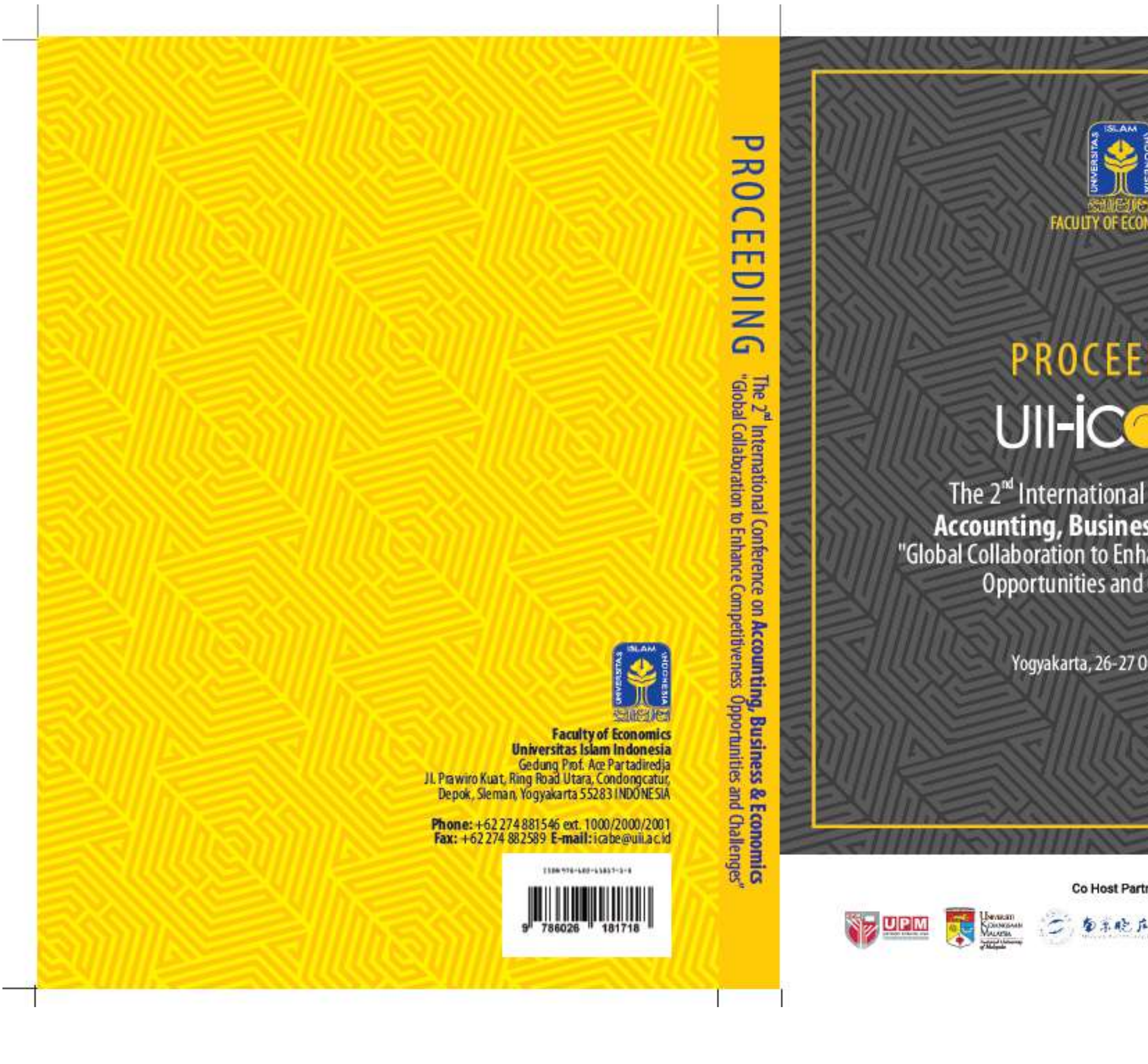
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Dividend policy and impact of firm's life cycle: evidence from Indonesia's non- financial firms

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Abstract

This research examines the relationship between dividend policies and value of the firm of Indonesia's non-financial companies as a whole, and then examines the relationship between dividend policies and value of the firm of Indonesia's non-financial firm after classify the firm using several proxies of life-cycle into on the stages of mature and growth. Using purposive sampling method then it was analised using panel data regresion test. The results of this Research shows that the relationship between dividend policies and non-financial value of company in Indonesia was negative overall. And then there was no difference in the relationship between dividend policies and value of company on the stages of mature and growth in Indonesia too. Meanwhile, for the effect of crisis seen, it shows the negative relationship between dividend policies and value of company turned into positive and less negative on critical periods.

Keyword: Dividend policy, firm's value, firm's growth rate, firm's life cycle

Introduction

Dividend policies are topics which still become a debate in the financial literature. According to Black (1976), dividends are described as something mysterious and there are variousreasons why firms have different dividend policies. Besides that, Brealey and Myers (2005) also express dividend problems as one of the important problems which have not been solved in the financial sector. In accordance with that, Saxena (1999) states that the issues about dividends are very important with various reasons, namely: firms use dividends as a means of showing outsiders or potential investors about the stability and the firm's growth prospects in the future. Indirectly, this is closely related to firm' s performance assessment. In the other word, dividend policies provide information about the values and the performanceof firms. Various empirical evidence shows different views about the relationship between dividend policies and firm's values. The study by Black and Scholes (1974) examine the relationship between the return of stock and dividend yields by forming a well diversified portfolio and ranking the securities based on their systematic risk and then compiling according to the dividend yield for each risk. The result shows that dividends do not affectthe return of the securities. It is similar with the study conducted by Pettit (1972) showing that the price of common stock of a firm is not determined by the dividend policy run by the firm. Meanwhile, Bhattacharya (1979) shows that shareholders prefer cash dividends, investors prefer high dividends because the dividends they receive have smaller risks and reduce uncertainty in comparison with profits are not distributed in the form of retained earnings (capital gains). From these explanations, it cannot be concluded how the relationship between dividend policies and firm's values. As empirical there are some evidence that show firm pay dividend have a positive impact, like stock price increase other than firm not paid. And another research said that dividend policy doesn’t have more impact

to perdict stock price and level of growth of the firm. Difference view from the empirical evidence had to be one of the research motivations that examines the relationship of dividends and the value of firms that are still an important and unresolved issue in finance. This study provides additional empirical evidence on the relationship of dividend policies and firm's values.

Dividend policy is not only seen from relationship the dividend and the value of the company. Other empirical evidence suggests several factors that affect a company's dividend policy. There are several factors that explain the firm's dividend policy. The results of the study found that dividend policy in US firms is determined by the characteristics of profitability, investment opportunities and firm size. Firm that have highly profitability and lowly growth supposed to pay dividend as high than otherwise. And firm with low profit rates and high growth tend to retain their profits This is related to the dividend life-cycle hypothesis. Dividend life-cycle hypothesis seems gaining its popularity in explaining dividend policy.

Fama and French (2001), DeAngelo et al (2006) and Wardhana et al (2014) suggest that the dividend policies of firms are related to the life cycle of the firms. This shows the dividends are likely to be paid by firms that are in the mature stage in which the opportunity to develop is already low and the level of benefits is already high. While firms at the growth level with high investment opportunities are still more likely to retain earnings rather than paying dividends. Some literature of study on dividend policy is readily available from developed countries. However, very little empirical evidence is known about dividend policy in developing countries. Some of these developing countries have similar characteristics which include transition economy, high economic growth and they play bigger roles in world economy as emerging markets. Considering that there might be significant difference practice and phenomena in developed and developing countries. Although the life cycle theory is more developed in developed countries such as America and Europe, but from the results of studies in developing countries prove the firm's life cycle has an important role in the dividend policy. This study adds empirical evidence regarding the role of the firm's life cycle in relation to the dividend policies and the firm's value on firms in developing countries, especially Indonesia.

Literature Review

Dvidends are defined as the payment to shareholders by firms on the profits earned. Dividend policies are policies related to the payment of dividends by the firms, some which is determined by the amount of the payment of dividends and the amount of earnings retained for the benefit of the firms. Firm's dividend policy decisions is an important decision for the management of the firms for expenses associated with the activity of financing of the firms that are not small. Firm's dividend information is also very important for investors and creditors of the firms. In Indonesia, there are standard policies or procedures governing the payment of dividends, although they are not required to pay dividends and still largely dependent on the General Meeting of Shareholders. Thus, firms in Indonesia are free to decide when and how much to pay dividends for a particular financial business year. Because it is related to the firm's value that reflect the firm's ability to generate profits of the results of the firm's stock performance to be used for the welfare of shareholders. This means that what makes the company pay dividends is still a question mark. This has been one of the reasons for the beginning study of differences in characteristics and factors that determine the company to pay dividends.

The beginning of research about dividend is more focus on whether market reacts to dividend payment, which basically trying to answer whether dividend effecting firm value. It said the firm' values can provide maximum wealth to shareholders when the firm's stock price increases. This relates to the market values (market value). A firm with a relatively high equity returns usually sells by multiplying the book value greater when compared with firms whose returns are low (Brigham and Houston, 2006). Therefore, the firm's value in general are proxied by the ratio of the market price to its book value (price to book value). In addition, the firm's values can be determined by using the information in the financial statements using a particular approach or technique, ie Tobin's Q.

The firm's value in this study were calculated using Tobin's Q for two reasons. First, the lack of consensus regarding the financial performance measurement, and the performance measurement is divided into two categories, namely the return of accounting and the measurement using the market return (Daily and Dalton, 1997). Tobin's Q is an alternative measure measuring both profitability and the holding period rate-of-return. Second, both the accounting measurement and the market measurement have advantages and disadvantages. However, the market measurements can also be biased by the presence of bullish expectations, therefore failing to reflect the values or the actual performance of the firm.

Dividend Policy and Firm life Cycle

Firm life cycle shows the existence of different characteristics of the firm's economy. Stages of firm life cycle in several research using different indicator in accordance with the needs of research. Anthony and Ramesh (1992) states that strategy of capital capacity and level of growth depends on stage of firm life cycle. So firm life cycle can be guide to create business strategy and business activities effectively to improve the value of firm.

Dividend life cycle propose to gives a more comprehensive look and accommodates market imperfections in explaining dividend policy (Lease et al, 2000). However, finding a life-cycle proxy accommodating Lease et al.'s framework is difficult and tricky. One proxy may work well in line with life-cycle model in a country but not in other countries. To begin with, we need to take into consideration some of the Indonesian context. There are some reason. Firstly, most of listed firms have controlling shareholder in the form of institutional investors, while the investor protection in Indonesia is relatively weak. In addition, the concentrated ownership in single shareholder will make information asymmetry gap higher, resulting in higher severity of agency conflict between majority and minority shareholders. Secondly, dividend is decided by general meeting of shareholders at the firm in Indonesia, in which the controlling shareholder will have obvious power in the decision making process.

De Angelo *et al* (2006) uses retained earning total equity and total assets as indicators that indicate of firm life cycle. The research states that highly proportion of retained earning total equity in the firm is categorized as the firm paying high dividend and lowly proportion of retained earning total equity in the firm is categorized as the firm not paying dividend . when the firm is categorized as growth firm its uses retained earning for investment rather than paying dividends to their investor and when the firms is in mature stage, investment opportunities decrease as retained earning are used to pay dividend.

DeAngelo et al. (2006) measurement of firm life cycle, and firm age as well as our life-cycle proxy which designed to capture different aspect of maturity and Indonesian firm characteristic, namely life-cycle index are positively related to propensity to pay dividend and Von Eije dan Megginson (2008) states that firm age as better indicator to firm life cycle. Firm age used in this research is the age calculated since the firm is listed in the Indonesia Stock Exchange as known as IPO.

The Relationship of Dividend Policies and Firm's Values

Some previous researchers both from within and outside the country have done research to find out how the influence of dividend information on the value of the company which is reflected from the firm's stock price. Black and Scholes (1974) examined the relationship between the return of stock and dividend yields by forming a well diversified portfolio and ranking the securities based on systematic risk and then compiling them according to dividend yields for each risk category. Black and Scholes (1974) concluded that dividends do not affect the return of stock. Furthermore, Pettit (1974) proves that the firm's common stock price is not determined by the dividend policy of the company.

Based on Dividend Signaling Theory proposed by Ross (1977) in his research, it states that dividends can be used as a firm's condition information signal which causes a positive assessment (good) regarding the firm from investors, high dividend values indicate that the financial position of the firm is in a good state there by affecting the interests and the desire of investors to increase the percentage of their firm's shareholding by purchasing stocks in the firm and eventually raise the stock price and it could be a reflection of improvements in the firm's values. Based on describe of theory, the following hypothesis can be formulated:

H1: Dividend policies are positively related to the firm's values

The Relationship of Dividend Policies with Firm's valuein the Firm's Life Cycle

There are some research use developed country as object research that use the role of firm life cycle. Kallapur dan Trombley (1999) shows that firms that do not grow tend to pay dividends highly, whereas firms at high growth rates tend to use their internal funds to finance their growth, resulting in they paid dividends lowly. Firm that are in different stages of the life cycle will have different capabilities in the ability to pay dividends, in accordance with the firm's ability to generate profits in the life cycle stages.

Jayanti (2009) uses the role of a firm's life cycle in examining the relationship between dividend policies and debt policies. The results shows the role of the firm's life cycle gives different influences on the relationship between the firm's dividend policies on its mature and growth stages with the debt policies. In the growth level, the firm lowers its dividend payments because some of the profits are used pay debts. In high growth conditions, the firm needs external funds, although in small quantities. So the firm will be tied to the debt burden which affects in the decrease of the level of the dividend payments. While currently in the mature stage, the firm will use high debts. While making the distribution in large quantities, the firm will finance its investments and require additional funds through debts so that the dividend policy affects the debt policy in a linear way.

According to the theory of the firm's dividend life cycle proposed by Bulan and Subramanian (2009), a young firm faces relatively large investment opportunities but is not sufficiently profitable and able to meet the needs of internal cash. It must also raise capital from external sources. The impact is that the firm will skimp and one of the ways is by not paying dividends. While having reached the mature stage in its cycle, the firm will decrease its investment opportunities, because its growth and profitability have tended to be stable, and the systematic risk decreases, as well as generates more money internally. The impact is that the firm starts paying dividends to distribute profits to its shareholders.

The growth stage of the firm is characterized by relatively high sales growth, although the risk is not as high as the introductory stage. The high sales growth, the profit earned may not be enough to finance the necessary expansion. Thus, firms at this stage will have low dividend payout rates, and require external financing to finance their expansion. As for the mature stage, sales growth still occurs but in a lower level than the growth stage dueto the production already in large enough quantities to meet market demand, generally the profits earned are sufficient to finance business growth.

Stages of the firm's life cycle in several studies using some of different stages in accordance with the needs of research. According to Anthony and Ramesh (1992) that the right capital and growth strategy depends on the stages of the firm's life cycle. So that the life cycle of the firm can be a guide to create business strategies and effective business activities to enhance firm value. Fama and French (2001) used three variables as the proxy of firm life cycle that is profitability, investment opportunity and firm size. And then, De Angelo et al (2006) uses retained earnings in total equity and total assets as indicators that indicate the firm life cycle. In his research shows that when the proportion of retained earnings in the total equity (RE/TE) of the firm is high then the firm is categorized as a company paying high dividends, while when the proportion of retained earnings is low equity shows the category of companies not paying dividends Based on this, the next hypothesis formulated is as follows:

H2a: Dividend policies are positively related to the firm’s values, when the firm is at the mature stage.

H2b: Dividend policies are negatively related to the firm’s, when the firm is in the growth stage.

Methods

This study took a sample of non-financial public firms that paid dividends during the period 2005-2014 in Indonesia. Selection of the study period is based on the use of the latest data from available data to be more relevant to current economic conditions. However, as one robust test of the study will issue a sample of firms categorized as the financial industry, due to characteristics different from other industries and avoid the problem of calculations on Tobin's Q which shows the value of the firm. The data used in this study was unbalanced panel with the number of samples of 172 firms. The following is the table of the sampling process was Table 1.

Table 1: Sampling Process

Information	Number of Observation
Number of observation of all firms registered in the Indonesia Stock Exchange (BEI) up to 2014	502
Number of observation of non-financial firms registered in the Indonesia Stock Exchange (BEI) up to 2014	392
Number of firms paying dividends	172
Number of firms not paying dividends	219

The Definition of Operational Variable

A. A firm's values
   The dependent variable of this study was a firm's values. The firm's valuewere calculated using Tobin's Q developed by James Tobin (1967). Tobin's Q was obtained from the total number of outstanding stocks* stock price then summed to total debts divided by total assets.
B. Dividend Policies
   The independent variable of this study was dividend policies calculated by two proxies namely dividend payout ratio and dividend yield. Dividend payout ratio (DPR) was calculated by the ratio of dividend per share and earning per share. Dividend yield (DY) was calculated by comparing the dividend per share divided by the market price of the stock.
C. Firm's Life Cycle
   This research would divide the sample into two categories, namely growth and mature. The grouping criteria were developed from the research by Wardhana et al (2014), using retained earnings in total equity (RETE) indicators, age of firm, free cash flow. The value of each indicator was calculated, then ranked (referring to the research by Park and Chen (2006)). From the results of the obtained values, the mean values were calculated then each indicator value was grouped. The values above the average were in the category of mature, and the values below the average were in the category of growth.
D. Control Variables
   In this study, there were several control variables used namely leverage, firm size, profitability and crisis dummy. We use ratio of long term debt to total assets as indicator for leverage. Leverage (long term debt to total assets), as Jensen (1976) said that the useof debt in capital structure will reduce agency problem so it will reduce the need to distribute the free cash flow through dividend payment. In Indonesia context, there are the agency conflict is between majority and minority shareholders especially when majority presents. The use of debt could mean reduction of asymmetric information as firm is exposed and scrutinize by debt holder or creditors. Consequently higher debt will reduce dividend propensity to pay because when asymmetry information is lower, the agency conflict between majority and minority is lower. If the debt use lead to higher dividend propensity to pay this could possibly means the firm already has financial constraint, thus it uses its earnings to financing investment opportunities. The control variables were included in the study take into account the variability of the firm's revenue stream, asymmetric information on market conditions, growth and investment opportunities. Baskin (1989) states that large firm with shareholder conditions scattered using dividend policy as a signal regarding the condition of the firm's prospects. This suggests that large companies may have lower bankruptcy costs, thus paying higher dividends than small firms. Furthermore, Baker and Powell (2002) also found the firm's dividend policy to show the pattern of current earnings levels and future earnings expectations. The optimal dividend policy is a balance between current dividends and future growth that maximize stock prices. Another consideration of control variables is the period in the study is ten years and within that time period, the Indonesian stock exchange was affected by the global crisis in 2008.

Data Analysis Method

The hypothesis test in this study used panel data regression analysis. The formula was as follows,

$$FV = \alpha + b_1 KD_{it} + b_2 DEBT_{it} + b_3 IDUM_{it} + b_4 SIZE_{it} + b_5 ROA_{it} + e_r$$

The Hypothesis 1 test was testing the relationships between dividend policies (KD) and firm's value (FV) which would be divided into two parts, according to the proxy of the dividend policy namely the dividend payout ratio and the dividend yield.

Later on, the hypothesis 2 test was about testing the relationship of dividend policies and firm's value by incorporating the role of the firm's life cycle. Life cycle indicators were used by the researcher to classify and to divide the sample of firms that became the objects of this study. The indicators would show wether the firms were includedin the growth or mature stage. Furthermore, the regression test was conducted to show the relationship of dividend policy and firm's value at the mature and growth stages.

Results and Discussion

Table 2: Descriptive Statistic of All Samples

Criteria	*Mean*	*Median*	*Maximum*	*Minimum*	Std.Dev	*Observations*
DPR	0,3846	0,2912	2,0288	-1,7016	0,3761	992
DY	0,0387	0,0223	1,1179	0,0002	0,0737	992
TOBQ	1,6932	1,1750	20,2504	0,1812	1,6804	1505
DEBT	0,5020	0,5055	4,3663	0,0024	0,2487	1644
ROA	0,0575	0,0381	0,9364	-0,7557	0,0927	1644
SIZE	14,3390	14,3503	19,1814	9,2455	1,6752	1644

Table 2 presents the general descriptive statistical data of all the samples from each of the variables used in the study. From the results of the table, it can be seen that some firms in Indonesia still paid dividends when the firm suffered a loss in the same year. As forthe firm's values, the level of debts, the profitability and the size of firms in Indonesia have a small variant (it's almost the same value of each firm).

This research uses panel data with characteristics that are structured data sequence time as well as cross section. Hypothesis testing with panel data begins by determining the appropriate estimation method for the regression model, whether using Pooled Least Squares or Ordinary Least Square (OLS) estimation methods, Fixed Effects or Least Squares Dummy Variables (LSDV), or Random Effects. Table 3 presents data on the results of research regression with some models in panel data test. Based on the results of the hypothesis test the selection of the model can be concluded that the model used is mostly fixed effects.

Based on the hypothesis test results, it can be concluded that the dividend policy and the firm's value for the proxy of dividend payout ratio and dividend yield are significant at 5% and have a negative coefficient of -0.267 and -2.309. For the control variables of ROA, SIZE and the crisis dummy, the results are significant with a positive coefficient. The crisis dummy variable indicated by DPRDum and DYDum shows the effect of the crisis on both variables. This means the period after the crisis gives greater influence or effect on dividend policy coherence and non-financial firm's values in the study period. In the DPR variable, the DPRdum effect is seen when the coefficient of aggregated results shows a positive value (0.26) this means that in times of crisis, the relationship between DPR and Tobin's Q was positive. As for DY variables, it shows a negative value (-0.35) this means that in times of crisis and the relationship between DY and Tobin's Q is no more negative.

Tabel 3: The Result of Model Selection Test

Hypothesis 1			
Variabel Independen	**TOBQ**		
	OLS	***Fixed Effects***	***Random Effects***
Dividend payout ratio (DPR) and control variable (DEBT, ROA, SIZE, DPRDum)	-0,1968 (0,176)	-0,2674 (0,039)**	-0,2574 (0,029)**
Dividend yield (DY) and control variable (DEBT, ROA, SIZE, DYDum)	-5,430 (0,000)***	-2,332 (0,006)***	-3,0638 (0,000)***
Hypothesis 2a			
RETE			
DPR and control variable	-0,2466 (0,156)	-0,1818 (0,252)	-0,2559 (0,071)*
DY and control variable	-5,2583 (0,000)***	-2,0144 (0,034)**	-3,3954 (0,000)***
FCF			
DPR and control variable	-0,2061 (0,300)	-0,3088 (0,075)*	-0,3298 (0,038)**
DY and control variable	-6,3116 (0,000)***	-2,5415 (0,021)**	-3,5940 (0,000)***
AGE			
DPR and control variable	-0,0924 (0,603)	-0,2365 (0,134)	-0,2238 (0,117)
DY and control variable	-4,9633 (0,000)***	-1,7299 (0,075)*	-2,6751 (0,003)***
Hypothesis 2b			
RETE			
DPR and control variable	-0,0784 (0,689)	-0,1965 (0,330)	-0,0263 (0,883)
DY and control variable	-5,0632 (0,024)**	-1,5610 (0,440)	-2,0126 (0,288)
FCF			
DPR and control variable	-0,1241 (0,425)	-0,096 (0,494)	-0,099 (0,439)
DY and control variable	-2,8460 (0,027)**	-1,308 (0,213)	-1,724 (0,088)*
AGE			
DPR and control variable	0,2095 (0,245)	-0,079 (0,638)	0,034 (0,828)
DY and control variable	-9,7525 (0,000)***	-7,8021 (0,001)**	-7,9863 (0,000)***

Table 4: Regression Results of Dividend Policies to Firm's Values

Panel A

Dependent Variable	Independent Variable				
	DY	DEBT	ROA	SIZE	DYDum
TOBQ	-2,309 (0,006)***	-0,392 (0,330)	4,359 (0,000)***	0,363 (0,000)***	1,950 (0,039)**
R^2			0,747		

Panel B

	DPR	DEBT	ROA	SIZE	DPRDum
TOBQ	-0,267 (0,039)**	-0,212 (0,600)	4,322 (0,000)***	0,261 (0,003)***	0,530 (0,000)***
R^2			0,749		

Panel A presents the results of regression with an independent variable of Dividend Payout Ratio and Panel B presents the results of regression with a variable of Dividend Yield

*** = Significant at the level of 0.01

** = Significant at the level of 0.05

* = Significant at the level of 0.1

Table 5: Regression Results of Dividend Policy to the Firm's value on the Mature Stage

Panel A

Independent Variable	**RETE**	**FCF**	**AGE**
	Dependent Variable		
	TOBQ	**TOBQ**	**TOBQ**
DPR	-0,181 (0,252)	-0,308 (0,075)*	-0,236 (0,134)
DEBT	0,572 (0,266)	0,429 (0,470)	0,375 (0,461)
ROA	5,639 (0,000)***	4,435 (0,000)***	4,325 (0,000)***
SIZE	0,505 (0,000)***	0,424 (0,000)***	0,390 (0,000)***
DPRDum	0,493 (0,005)***	0,619 (0,001)***	0,594 (0,00)***
R^2	0,77	0,75	0,76

Panel B

Independent Variable	RETE	FCF	AGE
	Dependent Variable		
	TOBQ	TOBQ	TOBQ
DY	-2,014 (0,034)**	-2,541 (0,021)**	-1,729 (0,075)*
DEBT	0,392 (0,443)	0,163 (0,781)	0,092 (0,854)
ROA	5,725 (0,000)***	4,495 (0,000)***	4,346 (0,000)***
SIZE	0,598 (0,000)***	0,553 (0,000)***	0,522 (0,000)***
DYDum	1,764 (0,096)*	2,081 (0,084)*	1,485 (0,188)
R^2	0,77	0,74	0,76

The hypothesis test coefficient results of DPR variables on firms at the mature stage demonstrate the value of -0.308 (significant 10%). Negative value means that in the firms in the mature stage, any dividend policy in which dividend payments are made to shareholders,it will lower the firm's valueof -0.308. This is not consistent with the previous studies that showed that firms at the mature stage (no growth) would pay more dividends in an effort to prevent the management from investing in projects that were less profitable for the firms.

Table 6: Regression Results of Dividend Policies to Firm's Values at the Growth Stage

Panel A			
Independent Variable	**RETE**	**FCF**	**AGE**
	Dependent Variable		
	TOBQ	**TOBQ**	**TOBQ**
DPR	-0,196 (0,330)	-0,099 (0,437)	0,034 (0,828)
DEBT	-0,775 (0,188)	-0,420 (0,154)	-1,071 (0,010)**
ROA	0,502 (0,602)	4,904 (0,000)***	4,715 (0,000)***
SIZE	-0,191 (0,122)	0,071 (0,115)	0,17 (0,000)***
DPRDum	0,280 (0,223)	0,238 (0,111)	-1,980 (0,189)
R^2	0,61	0,12	0,14

Panel B			
Independent Variable	**RETE**	**FCF**	**AGE**
	Dependent Variable		
	TOBQ	**TOBQ**	**TOBQ**
DY	-2,012 (0,288)		(0,036)**
DEBT	-1,076 (0,006)***		
ROA	0,185 (0,837)	DYDum 0,648	
SIZE	0,106		(0

,742)

-1,724 (0,088)*	-7,986 (0,000)***	,005)***
-0,445 (0,126)	-1,128 (0,005)***	6,729 (0,003)***
5,098 (0,000)***0,093 (0,034)**	4,400 (0,000)***	
-0,270 (0,833)	0,145 (0	

R^2	0,04	0,12	0,17

These results are consistent with the hypothesis that shows a negative relationship between the dividend policy and the firm's value at the growth stage. The reduced payment of dividends is a signal to the market that the firm is growing. The firm will prioritize to allocate its profits to fund investments compared to pay dividends. The firm does not pay dividends too big when there is a profitable investment opportunities for the firm so that the source of internal funds can finance the investment activities.

The results show no differences in the dividend policy coherence and the firms that are in the mature and growth stages. This indicates that the amount of retained earnings is important for firms to be careful in determining the dividend policy and to pay attention to the amount of net income produced by the firm and the availability of cash. In addition, not different results also show that there is no pattern in the distribution of dividends in Indonesia (Purwonegoro, 2008).

Based on results using the least square panel of this study, shows that the first hypothesis of the study is unacceptable. This means that the independent variable dividend payout ratio and dividend yield do not show a positive relationship to Tobin's Q (negative). This is not consistent with the results of several previous studies which show that there is a positive relationship between dividend policy and firm value.

This indicates that the relationship of the dividend payout ratio and the dividend yield and the firm's value can not affect positively (negatively) to the firm’s valuedue to the presence of certain factors. First, the existence of different investor mindsets can be the cause of why the research hypothesis 1 is unacceptable. For example, an investor can just think if a firm’s dividends with a high enough ratio over the stock price, the firm is not considered to have sufficient reserve funds derived from retained earnings to be used as a source of funding for the development of the firm in the long term so as to cause the firm can not survive. Second, the dividend signaling models are less appropriate to the context of Indonesia. The signaling dividend model is one of the dividend models underlying the alleged announcement of dividend change having information content for investors regarding the value of the firm. This model explains that the information about the changes paid, used by investors as a signal about the future prospects of the firm.

In addition, there are several variables that are used as control variables to test whether these variables have an impact on the results. That variable are profitability (ROA), Firm size (SIZE) and crisis dummy (DPRDum dan DYDum). The expected return on expected assets determines the relative option to pay such earnings in the form of dividends to shareholders or to use them in the enterprise. Firm with have a good cash flow or good profitability can pay dividends or increase dividends. The firm's profit rate also reflects the size of the firm. Large firms will generate greater profitability that will impact on the amount of dividend payouts. While the effect of the crisis seen from the results of research by DPRDum and DYDum shows the relationship of dividend policy and negative firm value to be positive and less negative in times of crisis. This indicates that the firm keeps paying dividends and does not reduce them in times of crisis to provide a good picture for investors about the firm.

Conclusion

This study found out that the relationship between dividend policies and non-financial firm’s values in Indonesia was negative. This suggests that investors have a lot of factors to assess the firm, not just the dividend policy. The relationship between the dividend policy with the non-financial firm’s valuein the mature stage was negative, which indicates that in firms that have been in the mature stage, the increasing dividend payments are not followed by the increasing firm’s values. The firm starts paying dividends when it reaches maturity stage in the cycle, in this case the decline of investment opportunities, growth and profitability. Furthermore, the relationship between the dividend policy with the non-financial firm’s valueat the growth stage is proved to be negative. This means that the firms are more likelyto reinvest profits to increase the firm's growth and profitability so that the dividends paid are less. Most of the statistical test results show the effects of the crisis and the effect on theperiod after the crisis greater. From the results of the dividend payout ratio test, it is shown that the in the crisis period there is a positive relationship between the dividend policy and the firm's value.

Research and discussion conducted by the researcher wee not out of limitations because of constraints and conditions in several respects. The limitations the researcher experienced could be taken into consideration and suggestions for further research. The limitation of the study were as follows: (1) the use of the entire sample of non-financial firms and not distinguish between the characteristics of the firm. For further study, these characteristics may be overcome by controlling the type of industry; (2) the proxy of the firm's value in this study only used Tobin's Q. Future studies could use some proxy that reflects the value; and (3) Variable proxy used for grouping the firm's life cycle was limitedto profitability, the level of retained earnings and the firm age. For further research, the proxy of other variables in the firm's life cycle, such as the characteristics of the firm's ownership structure can be used. In addition to signaling theory, the theory of tax preference could be an interesting issue that is discussed in the context of Indonesia.

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