

## **CHAPTER V**

### **CONCLUSION**

#### **5.1 Conclusion**

The objective of this research wants to find out the impact of free cash flow towards dividend payout ratio by taking a sample of 216 manufacturing firms throughout the research period of 2012 – 2015. This research use multiple linear regression model and meet all the criteria of a good regression. It passes the four classical assumption tests consist of normality, multiollinearity, heteroscedasticity, and autocorrelation. The hypothesis of this research is accepted and conclude that free cash flow have a positive impact towards dividend payout ratio.

High free cash flow produce high payout ratio and conversely, low free cash flow produce low payout ratio. The phenomenon of low firms pay dividends in Indonesia can be explain by the low free cash flow generated by the firms. From the descriptive statistics, the mean value of free cash flow is only 10% (0.09875). There is still a lot of firms that generate low free cash flow or even negative free cash flow. From 216 sample firms, 33 firms or 15% generates a negative free cash flow.

#### **5.2 Limitation and Suggestion**

The limitations of this research is the relatively short period which consist of only 4 years (2012 – 2015). The number of firms that pay dividends is also

very low. In each year the sample is decrease by more than 50% because most of manufacturing firms did not pay cash dividends. Suggestions for future research is to use more data from all listed firms and lengthen the research period. Furthermore, future research can also use more proxy to find out the determinant of dividend payout ratio such as financial leverage, profitability and investment opportunities.

