CHAPTER V
CONCLUSIONS, RECOMMENDATIONS AND ITS LIMITATIONS

5.1 Conclusions

This study aims to determine the effect of independent variables (profitability, earning variability, firm size, leverage, ownership structure, growth, assets structure and age) on dividend policy. Based on the analysis and discussion in the previous chapter, it can be concluded as:

1. Profitability has no significant effect on dividend policy. This study is reinforced by Mahira Rafique (2012) and Sri Widodo (2005) opinions;
2. Risk has a significant positive effect on dividend policy. The outcome of this study supports the results of research conducted by Ardestani, Rasid, Basiruddin (2013);
3. Firm size has a significant positive effect on dividend policy, meaning that larger corporations are more probable to pay dividend to their shareholders. The study is consistent with research conducted by Mahmoud Al-Nawaiseh (2013), Kashif Imran (2011), and Amarjit and John (2012);
4. Financial leverage has no direct significant effect on dividend policy. This result is consistent with researches that are conducted by Ardestani, Rasid, Basiruddin (2013), Kashif Imran (2011), and Amarjit and John (2012). However, it is not consistent with the results of Kania et al. (2005), and Agyei Marfo-Yiadom (2011), Ajmi and Hussain (2011) and Shah et al. (2011), which found that a positive association between financial leverage and dividend policy;

5. The company's growth rate has a significant positive effect on dividend policy. It can be concluded as higher growth opportunities tend to face different financing alternatives and hence pay more dividends. This outcome is similar with the researches that are provided by Sajid Gul, Mughal, Bukhari, Shabir (2012), Mansourinia et al. (2012), Moradi et al. (2012), Dr. Faris Nasif AL- Shubiri (2011), Al-Shubiri (2011), Afza and Mirza (2011), Harada and Nguyen (2011), Al-Najjar and Hussainey (2009), Kuwari (2009), Sharif et al. (2010) and Kania et al. (2005) ;
6. Ownership structure comprises of government and institutional ownership. Institutional ownership have significant positive impact on dividend policy. The result of this study supports the results of research conducted by Mohammad Al- Gharaibeh, Zurigat (2013), Mondher Kouki, Moncef Guizani (2009) and Ali-Shah (2009). In contrast, it is shown that Government ownership has no significant negative impact on dividend policy
7. Asset structure has direct insignificant impact on dividend policy. This result is further supported by Al Shabibi, Ramesh (2011), Jasim Al-Ajmi, Hussain (2011), and Dr. Faris Nasif AL- Shubiri (2011);
8. Firm Age has a significant positive effect on dividend policy. Similarly, Talat Afza, Mirza (2012) and Grullon et. al. (2007) also found the same results with this study. It could be due to the fact that as the older companies have several advantages over new companies, which it can be established that such companies are able to raise on its dividend payments.

5.2 Limitations

There are some limitations which can be found in this research, e.g:

1. Insufficient samples of research due to most companies do not pay dividends in this study therefore many samples are excluded in this study;
2. Several companies are not included in this study, for instance, financial companies which are listed in Indonesia Stock Exchange (IDX);
3. No clear, comprehensive and complete sources are available in Indonesia Stock Exchange (IDX).

5.3 Recommendation

There are some recommendations that can be considered for research in the future:

1. Take an all-embracing approach by including samples from other countries to create a more comprehensive sample pool, increase the number of years of research or draw comparisons between the two dividend policies from one country with another;
2. Adding other companies, such as Financial companies which can be found in Indonesia Stock Exchange (IDX);
3. Adding other variables that may also influence dividend policy, such as duality of the CEO, and the existence of an audit committee.