

ABSTRACT

The goals of the study are examining the determinants dividend policy. The study investigates the factors within the firms in Jakarta Stock Exchange that influence the dividend policy. Data is collected over the period of 1998-2001 to focus more on the condition after the early of Indonesian monetary crisis at the mid 1997. The investigated factors are classified into four categories, constraints on dividend payment, investment opportunity and free cash flow, alternative source of capital and agency conflict.

The results show from eight predictor variables of dividend payout, four of them are in opposition to prior hypothesis. The study concludes that the determinants factors of dividend policy are bond indentures, investors' preference, dividend signal to company's performance, dispersion of ownership and firms' business risk.