



## *Abstract*

*The objective of this study to provide empirical evidence in Indonesia about the effect of dividend payout ratio to earnings growth and EVA growth (Economic Value Added). In this study using one independent variable is dividend payout ratio. Two dependent variables are earnings growth and EVA growth and using control variables that the past earnings growth and asset growth. This study also purpose to verify that signaling theory is not an appropriate concept to explain the phenomenon of payout policy in Indonesia. The signaling theory of dividend policy is not fit with Indonesia setting because dividend payout decided by General Stockholder Meeting.*

*Population which is the object of this research are manufacturing companies that go public in Indonesia. The samples were carried out on companies listed on the Indonesia stock exchange period 2000-2005. Sampling selection technique of purposive sampling, taking manufacturing companies included in the SWA 100 values creator companies period 2001-2007.*

*This study uses multiple regression analysis on the dependent variable profit growth and a simple regression on the dependent variable EVA growth. The first hypothesis of regression results showed that a significant negative association between dividend payout ratios and earnings growth. This result supports the signaling theory is not fit in Indonesia setting. The second hypothesis of regression results showed that a significant positive association between dividend payout ratio and EVA growth.*

*Keywords: dividend payout ratio, earnings growth, eva growth, signaling theory*