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ANALYSIS OF NET EARNINGS AND OPERATING CASH FLOW OF CASH DIVIDENDS IN RETAIL TRADE IN INDONESIA STOCK EXCHANGE

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Abstract: *This research aimed to analyze and determine the influence of Net Income and Operating Cash Flow to Cash Dividend on the retail companies in Indonesia Stock Exchange period 2008-2014. Population in this research was all of retail companies that listed on Indonesia Stock Exchange. Sampling technique was purposive sampling. Samples that selected and fill up the sample criteria were 13 companies. Data used in this research was quantitative data that in form of annual statement published by IDX website at www.idx.co.id.Data analysis technique used was multiple linear regression analysis. Data processing with level of confidence 95% and level of significance 5%. The result of this research indicate that partially net income has positive and significant influence on cash dividend, while operating cash flow has negative and significant influence on cash dividend. Simultaneously, net income and operating cash flow have positive and significant influence on cash dividend. However, net income has the most dominant influence on cash dividend. The amount of influence of net income and operating cash flow on cash dividend was 47,70%, while the remained 52,30% was influence by others factor that were not include in this research.*

Keyword: *net income, operating cash flow, and cash dividend.*

INTRODUCTION

Indonesia Stock Exchange is one of the capital markets that can be used as an alternative financing through the issuance and sale of shares for all sectors in Indonesia. In general, the company went public listed on the Indonesia Stock Exchange must disclose important information company in the form of financial statements prepared in accordance with Financial Accounting Standards and have been audited by a public accountant registered with the Capital Market Supervisory Agency (Bapepam).

Accounting profit in the financial statements is one measure of the performance of companies that received the most attention from investors because it can be useful for investors to predict who will receive rewards investment when investing in that company.

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Rewards given by the company to investors on their investment is in the form of dividends. Dividends in the form of cash dividends and non-cash dividends. According Darmadji and Fakhruddin (2011: 141), the cash dividend is a dividend that is more often shared the company and the type of dividend desired by investors because it can minimize the uncertainty over its investment in a company.

Plan the amount of dividends distributed to shareholders of the company depends on the dividend policy of each company. Dividend policy is a decision determining the profits to be paid (dividends) to shareholders and how much should be reinvested in the company in the form of retained earnings (Sudana, 2011: 171).

To pay dividends of a company must analyze the factors that affect the allocation of earnings to dividends or retained earnings. There are key factors that must be considered, for example the availability of cash, because although the company has a profit but if the cash is not sufficient then there is a possibility that the company chooses to withhold profits reinvested not be given to shareholders as dividends.

Therefore, the company's ability to pay dividends can not be done by simply paying attention net profit alone but also requires an analysis of the Cash Flow Statement, particularly the cash flow from operating activities because it is often associated with the investment decision-making.

If the company's net profit has increased from year to year and cash flow from operating activities reflected the company is positive, then the dividend to be received by investors will surely increase as well. This will have a big impact on investors to invest in the company. More and more investors who want to buy shares, the stock price of a company will be increased.

Value of investments in securities affected by the performance of a company in the future. The stock price will increase when the company increased its profit and dividend increases. The company's ability to generate earnings to show the existence of the company. The higher the profit achieved by the company, investors tend to believe that the company is able to survive in the midst of competition, this situation will attract investors to own the stock.

Movement chart Stock Price Index (CSPI) from the year 2007 to 2014 can be seen in the image below:

Stock price index decreased significantly in 2008. The decrease in 2008 due to the global financial crisis that began to emerge since August 2007, which is when one of France's largest bank BNP Paribas announced a freeze on some securities associated with high-risk housing loans US (subprime mortgage). Freezing is

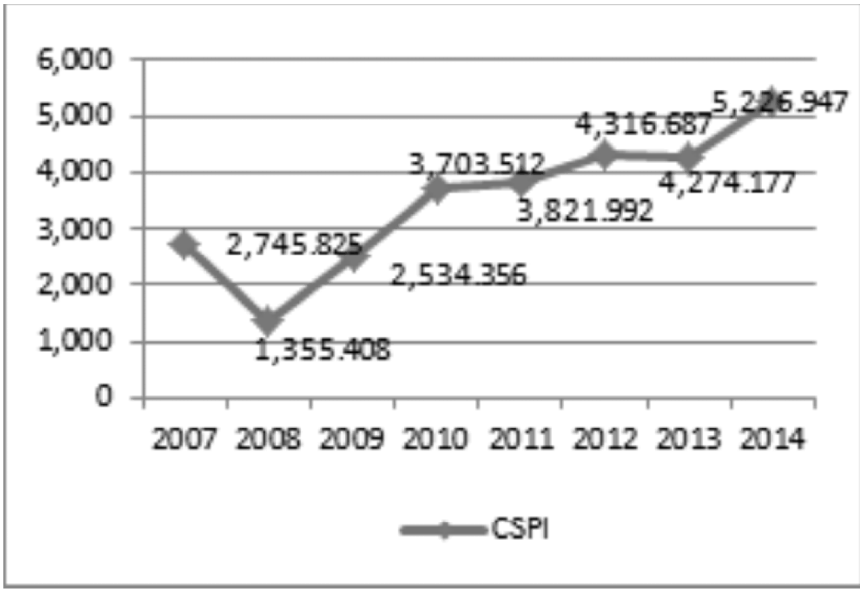

Figure 1: Movement Composite Stock Price Index (CSPI) Year 2007-2014

Source: www.idx.co.id (Data Processing, 2015)

triggered turmoil in financial markets and eventually spread to the whole world. At the end of the third quarter of 2008, the intensity of the crisis gained momentum along with the collapse of the largest US investment bank Lehman Brothers, which was followed by increasingly severe financial difficulties in a number of large-scale financial institutions in the US, Europe, and Japan.

The world financial crisis has affected the Indonesian economy as reflected by the turmoil in the capital markets and money markets, so the stock price index in 2008 was closed at 1,355.408, cut half of the level in 2007 amounted to 2,745.825, along with a fall in the value of market capitalization and decrease sharp stock trading volume.

The decline in the stock price index, which also impacted the stock price index, trade, services and investment that can be seen in the image below:

Stock price index, trade, services and investment in 2008 was 148 329, decreased by 62.17% from 2007. For 2009 and 2014, the stock price index, trade, services and investment continued to increase, so that in 2014 reached 878 634. Despite the decline in stock prices in 2008, some companies are still able to generate profits and dividends to shareholders.

The amount of the dividend depends on the income generated and cash held company. Atmaja (2008: 292) states, if the company's earnings tend to be stable,

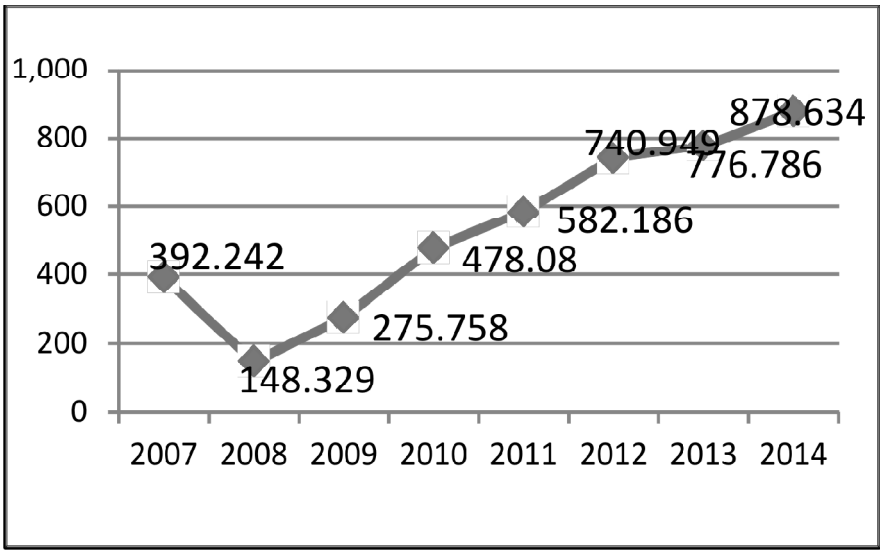

Figure 2: Movement Index Sector Trade, Services and Investment Year 2007-2014

Source: www.idx.co.id (Data Processing, 2015)

then the company can be relatively large dividends. Conversely, if the company's profit fluctuates, the dividend should be small so that stability is maintained. Darmadji and Fakhruddin (2011: 154) explains that the higher the EPS will be encouraging shareholders because the greater the profit provided to shareholders. In addition Brigham and Houston (2009: 90) also states that the dividend depends on cash flows that reflect the company's ability to pay a dividend. The greater the operating cash flow, the greater the company's ability to pay cash dividends. This is because the operating cash flow described the performance of companies in which the good performance of the company will generate higher net income that the company can increase the payment of cash dividends.

Research on the cash dividend has been done by Febrynawati (2014) used a sample of property and real estate company listed on the Stock Exchange from 2009 to 2011. The results showed that partially, net profit and significant positive effect on cash dividends while operating cash flow significantly and negatively related to the cash dividend. Simultaneously, net income and operating cash flows have a significant effect on cash dividends. This study was also conducted by Ujihastuti (2012) used a sample of LQ45 companies listed on the Stock Exchange 2007-2010 period. Research results are net income and operating cash flows is partially not have a significant influence on dividend policy, however, net income and cash flows simultaneously significant effect on dividend policy. The difference

of this study with previous research is the observed and the sample studied. Year observed was in 2008 until 2014.

The sample was firm retail trade listed on the Stock Exchange for cash turnover at the company's retail trade faster and be an indicator that the cash turnover is quick, the funds that are embedded in the company can quickly readmitted so that the company will be able to pay cash dividends stably. Retail trade companies are intermediaries in the marketing channel system. Companies would need funding in order to get the goods from the manufacturer / supplier / wholesaler then sold to the final consumer. One alternative funding is through investment in shares by the investors and the returns given to investors is in the form of dividends.

Based on the above it can be concluded that the dividend distribution, the note is net income and cash flows generated from operating activities of the company. In the retail trade company, there are several companies that from years 2008-2014 did not pay dividends to shareholders because profits and cash flow generated has decreased, there are even companies that suffered losses. However, there are also some retail trading companies that have increased earnings and cash flow, but does not distribute dividends. This is certainly confuse investors and prospective investors in making investment decisions for investors and prospective investors are always assume that net income is an important indicator for predicting reward investment.

The purpose of this study is to determine: (1) the effect of net income to cash dividends; (2) the effect of operating cash flow to the cash dividend; and (3) the effect of net income and operating cash flows simultaneously to the cash dividend.

LITERATURE REVIEW

According Harahap (2006: 105), the financial statements are statements that describe the financial condition and results of operations of a company at a certain time or a certain period of time. Components of financial statements consisting of an income statement, statement of owner's equity, balance sheet, cash flow statement and notes to the financial statements (Hery, 2011: 15-16).

According to Wild, *et al.* (2007: 19), the income statement is a report which measures the performance of a company at the balance sheet date. This report memrepresentasikan operating company. The income statement presents comprehensive information about income, expenses, profits and losses of companies within a certain time.

Profit is an important indicator to measure the profitability of the company. Fluctuations in earnings become one of the factors that influence the decision of a cash dividend. If the company's earnings tend to be stable, the company can be relatively large dividends without having to lower dividends if profits suddenly

plunged. Conversely, if the company's profit fluctuates, the dividend should be small so that stability is maintained (Atmaja, 2008: 292). Profit in question is the net profit. Guinan (2010: 105) said net income is the total income of a company (or profit), calculated from adjusted earnings to the cost of doing business, the cost of depreciation, interest, taxes and other charges.

One measure of the ratio of profit is the earnings per share. Earning per Share or earnings per share is the net profit level for each share, which can be achieved by the company at running operations. Earnings per share or EPS derived from income available to common shareholders divided by the number of ordinary shares outstanding.

In addition, the amount of cash flows arising from operating activities is a major benchmark that determines the condition of the company's operation is able to generate sufficient cash flows to repay loans, maintain the operating capability of the company, investing and cash dividends without relying on external sources of financing.

One measure of the ratio of cash flow is cash flow per share. Norton et al (2006: 213) states that cash flow per share is the calculation of the analysis which measures how much cash flows associated with each share issued. Cash flow per share is calculated by dividing cash flow from operating activities is provided by the number of shares outstanding during the period. If there is a preferred dividend, this amount should be deducted from operating cash flow to indicate the cash flows from operating activities are available for common stock.

In determining the amount of cash dividends to be distributed to shareholders, the company must pay attention to the available cash. The availability of cash is one of the factors that influence the decision of a cash dividend as cash dividends can only be distributed when available cash is sufficient. One measure of the ratio of the dividend is the dividend payout ratio. Dividend payout ratio is the percentage of income that will be paid to shareholders as a "cash dividend". According Damardji and Fakhruddin (2011: 159), the dividend payout ratio is a ratio that measures the ratio of dividends to earnings of the company. Components of dividend per share is the element of the dividend, so that if the greater the dividend, the greater the dividend payout ratio is. Many companies are trying to maintain a dividend payout ratio, there is a target dividend payout ratio for the long term or maintain revenue. As a result, the dividend is usually maintained at a constant amount and raised only if the manager believes that it is relatively easy to maintain the increase in such payments in the future.

Brigham and Houston (2009: 90) states that the dividend depends on cash flows that reflect the company's ability to pay a dividend. The greater the operating

cash flow, the greater the company's ability to pay cash dividends. This is because the operating cash flow described the performance of companies in which the good performance of the company will generate higher net income that the company can increase the payment of cash dividends.

Distribution of cash dividends must take into consideration the net income and the amount of cash from operating activities of the company. Companies that have a net income, but does not have the amount of cash from operating activities is sufficient, it can not distribute cash dividends because it will disrupt the activity of the company. Companies can pay cash dividends only if it has sufficient cash amount (Atmaja, 2008: 291). Therefore, the greater the value of net income and cash flow from operating activities of the company, the greater the company's ability to distribute dividends.

There are several forms of the policy of dividend in cash or cash dividend according to Sutrisno (2009: 268), among others: (1) the policy of stable dividend; (2) The increased dividend policy; (3) The dividend policy with a constant ratio; and (4) regular dividend policy of giving a low plus esktra. In addition, the policy of dividend is influenced by several factors, among others: (1) the loan agreement; (2) the restriction of preferred stock; (3) the availability of cash; (4) control; (5) the need for investment funds; and (6) fluctuations in earnings (Atmaja, 2008: 291).

FRAMEWORK

The variables of this study consisted of net income as the independent variable and cash dividends as the dependent variable . Their research and theory which states that the net profit dah operating cash flow has an influence on cash dividends, then it can be described a framework presented in the figure below :

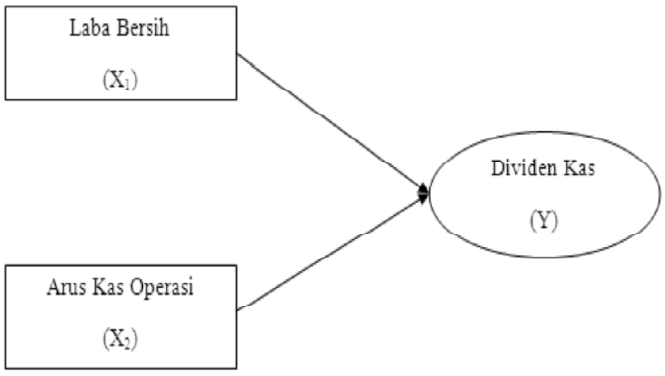

Figure 3: Framework

Source: Data Processing, 2015

Based on the above framework, the hypothesis can be formulated as follows:

The net profit effect on the company's cash dividend of retail trade in the Indonesian Stock Exchange 2008-2014 period.

Operating cash flow effect on cash dividends on retail trading company in Indonesia Stock Exchange 2008-2014 period.

Net income and operating cash flows simultaneously affect the cash dividend on the company's retail trade in the Indonesian Stock Exchange 2008-2014 period.

RESEARCH METHODS

This study was descriptive associative associative research is research that aims to determine the effect or relationship between two or more variables (Sugiyono, 2012: 11).

The population used in this study is a retail trading company listed on the Indonesia Stock Exchange. The sampling technique that will be studied using purposive sampling, the sampling technique that is based on certain considerations (Sanusi, 2011: 95). The sample in this study is defined retail trading company listed on the Indonesia Stock Exchange 2008-2014 period as many as 13 companies. The data used is quantitative data, while the secondary data source. Data collection techniques in this research is the study keperpustakaan, study the documentation, and internet research.

Operational Variables

Independent variables

The independent variable (free) is a variable that affects or is the cause changes or the emergence of the dependent variable (Sugiyono, 2012: 61). Independent variables used in this study is the net profit (X1) and operating cash flow (X2).

Net profit

The net profit is measured by the ratio Earning per Share, is a ratio which indicates the share of profit for each share

$$EPS = \frac{Net\ Profit}{Number\ of\ Shares\ Outstanding}$$

Source: (Darmadji and Fakhruddin , 2011: 154)

Operating Cash Flow

Operating Cash Flow is measured by the ratio of Cash Flow per Share , is a ratio that measures how much cash flows associated with each share issued .

$$CFPS = \frac{Operating\,Cash\,Flow}{Number\,of\,Shares\,Outstanding}$$

Source: (Norton *et al.*, 2006: 213)

Dependent variables

The dependent variable (dependent) is a variable that is affected or which become due to the independent variable (Sugiyono, 2012: 61). The dependent variable used in this study is the cash dividend (Y) as measured by the ratio of Dividend Payout Ratio is the ratio which measures the ratio of dividends to earnings of companies.

$$DPR = \frac{Dividend\,per\,Share}{EPS}$$

Source: (Darmadji and Fakhruddin, 2011: 159)

Data analysis technique

Analysis Descriptive Statistics

Descriptive analysis is the analysis used to analyze the data in ways that describe or depict the data that has been collected as it is without intending to generally accepted conclusions or generalizations (Sugiyono, 2012: 147).

Classic assumption test

Classic assumption test aims to determine the relationship between independent variables and the dependent variable, so that the test results more accurate, efficient, and free of the weaknesses that occur because of symptoms heteroskedastisitas, multikolinearitas symptoms, and symptoms of autocorrelation. Classical assumption test consists of normality test, heteroscedasticity, multicollinearity test, and autocorrelation test.

Normality Test, aims to determine whether the regression model, the independent variables and the dependent variable has a normal distribution of data. Data that is good and decent to prove the regression model is data that berditribusi normal. To determine whether the normal distribution of data, then the normality test conducted by test chart Normal P-P Plot of Regression Standardized Residual statistical test Kolmogorov Smirnov.

Heteroskidastity test is performed to determine whether the regression model, there was inequality of residual variance of the observations to other observations. The regression model was good and well worth having that does not happen heteroskedastisitas criteria. To detect whether there is any heteroscedasticity, the heteroscedasticity test was conducted by plotting the scatterplot with ZPRED value (predicted value) with SRESID (residual value).

Test Multicollinearity, aims to test whether there is a correlation between independent variables in the regression model. The regression model was good and worth have criteria that there is no correlation between the independent variables. To detect whether there is any multikolinearitas, done by looking at the value of Inflating Variance Factor (VIF) of the results of the regression analysis.

Autocorrelation test, aiming to detect whether the regression model, there was a correlation between a period (t) with the previous period (t-1). A good regression model is a regression that is free of autocorrelation or autocorrelation.

Multiple Linear Regression Analysis

This analysis is useful to determine whether there is influence of the independent variable on the dependent variable and the estimated value of the dependent variable based on the value of the independent variable . Model of multiple linear regression equation is as follows

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

were:

Y	= cash dividends
a	= constants
β_1, β_2	= regression coefficients
X_1	= net profit
X_2	= Operating cash flow
e	= *term of error*

Hypothesis testing

Test the hypothesis aims to obtain conclusions about a population based sample possessed. The hypothesis test is performed:

t test

T test aims to determine the effect of independent variables, namely net income and operating cash flows contained in the partial regression models (separately) on the dependent variable, namely the cash dividend.

If -ttabel ≤ ≤ taccount ttable and value Pr ≥ α = 5%; then the variable X1 and X2 partially no significant effect on the variable Y, whereas if -thitung <-ttabel or thitung> ttable and value Pr <α = 5%; then the variable X1 and X2 significant effect on variable Y.

test F

F test aims to determine whether the independent variables, namely net income and operating cash flows simultaneously (together) have a significant effect on the dependent variable, namely the cash dividend.

If Fhitung ≤ Ftabel and value Pr ≥ α = 5%, then the variables X1 and X2 simultaneously no significant effect on the variable Y, whereas if F count> F table and the value Pr <α = 5%, X2 and X2 simultaneously significant effect on the variable Y.

R2 test

R2 test or test of determination is an important measure in the regression, because it can tell whether or not the regression model terestimasi, or in other words, these figures can measure how close terestimasi regression line with real data.

The coefficient of determination (R2) reflects how large the variation of the dependent variable Y can be explained by the independent variable X. If the value of the coefficient of determination equal to 0 (R2 = 0), meaning that the variation of Y can not be explained by X altogether. Meanwhile, when R2 = 1, meaning that the variation of Y as a whole can be explained by X. In other words, when R2 = 1, then all the observation point is exactly on the regression line. Thus good or bad a regression equation is determined by its R2 that has a value between zero and one.

RESULTS AND DISCUSSION

Test results

Normality test

Based on the test results with graphs normality Normal P-P Plot of Regression Standardized Residual note that the points spread around the diagonal line and follow the direction of the diagonal line, so it can be concluded that the data were normally distributed. Normality test was also conducted using the Kolmogorov-Smirnov test and nonparametric statistical significance value greater than 0.05 is 0.107, so it can be concluded that the data were normally distributed.

test Heteroskidastity

Based on the test results heteros-kedastisitas with scatterplot graph, it appears that the points are not spread evenly and randomly above and below the number 0 on the Y axis, so that it can be concluded that there is a phenomenon heteroscedasticity in regression models.

test Multicollinearity

Based on test results obtained multikolinearitas VIF value for net income and operating cash flow was 1,540. VIF two independent variables is less than 10, it can be concluded that there are no symptoms of multicollinearity in regression models.

test Autocorrelation

Based on the results of autocorrelation test, the value DW of 1.730. This value is compared with the value of Durbin-Watson table at a significance level of 5%, the number of samples = 91, the number of independent variables 2 (k = 2), then in the table Durbin-Watson will get the value dl = 1.6142 and du = 1.7042, DW value amounted to 1.730 greater than the value du is 1.7042, but the value DW amounted to 1,730 less than the four-du is 2.2958, so it can be concluded that there is no autocorrelation in the regression model.

Multiple Linear Regression Analysis

From the results of multiple linear regression analysis with SPSS software, multiple linear regression equation as follows:

$$Y = 9{,}924 + 0.153X_1 - 0{,}064X_2$$

The above equation can be explained as follows:

(1) Constant = 9.924; If the net income and operating cash flows are assumed constant (X1 and X2 = 0), then the value of a cash dividend of 9.924.

(2) net income regression coefficient = 0.153; Net income has a positive effect on cash dividends. If the net income (X1) increased by 1 unit, the cash dividend will be increased by 0,153 units, with operating cash flow assumptions constant (X2 = 0).

(3) The regression coefficient = -0.064 operating cash flow; Operating cash flow have a negative impact on cash dividends. If the operating cash flow (X2) increased by 1 unit, the cash dividend will be decreased by 0,064 units, assuming constant net income (X1 = 0).

Partial Hypothesis Testing (t test)

T test results influence the net profit to the cash dividend shows thitung to a variable net income is greater than the value t table (8.966> 1.98729). Judging from its significance, a significance value of net profit was 0,000, less than the significance value of 0.05. Because taccount> ttable and value Pr <α = 5%, the H0 and H1 accepted, so it can be concluded that the net profit significantly influence the company's cash dividend of retail trade in the Indonesian Stock Exchange 2008-2014 period.

T test results influence the operating cash flow to the cash dividend shows hitung for variable operating cash flow less than the value -ttabel (-5.799 <-1.98729). Judging from its significance, a significance value of operating cash flow was 0,000, less than the significance value of 0.05. Because -thitung <-ttabel and value Pr <α = 5%, then H0 and H2 received, so it can be concluded that the operating cash flow significantly influence the company's cash dividend of retail trade in the Indonesian Stock Exchange 2008-2014 period.

To find out where the independent variables are the most dominant influence on the dependent variable used Beta Coefficient Standardized test. By looking at the results of the Standardized Beta coefficient can be determined independent variables were the dominant influence on the dependent variable is net income that shows the value of Standardized Beta Coefficient is greater than operating cash flow is equal to 0.857.

Simultaneous Hypothesis Testing (Test F)

F-test the effect of net income and operating cash flows simultaneously to the cash dividend shows Fhitung to variable net income and operating cash flow is greater than the value of F table (40.384> 3.10007). Judging from its significance, a significance value of net income and operating cash flow was 0,000, less than the significance value of 0.05. Because Fhitung> Ftabel and value Pr <α = 5%, then H0 and H3 received, so it can be concluded that the net income and operating cash flows simultaneously significant effect on cash dividends on retail trading company in Indonesia Stock Exchange 2008-2014 period.

Test The coefficient of determination (R2 Test)

Based on the test results R2, the value of the coefficient of determination (adjusted R2) is approximately 0,467, which shows that the net income and operating cash flows together significant effect on cash dividends amounting to 0,467 (46.70%), while the remaining 0.533 (53, 30%) is influenced by other variables that are not analyzed in the regression model. Because the R2 value close to 0 means the ability

of net income and operating cash flows in explaining the variations in the proportion of cash dividends is weak.

DISCUSSION

Effect of Net Income to Cash Dividend

Based on the results of multiple linear regression analysis, it is known that the net income has a positive impact to the cash dividend. In addition, from the results of partial hypothesis testing known that significant effect on the net profit of the cash dividend. This is because if the net profit has increased, then the distributed cash dividends will also increase, and vice versa. The net profit is often used by investors and lenders in evaluating the company's profitability. The profitability of companies is often expressed by earnings per share. If the value of earnings per share higher, the greater the profit provided to shareholders and the possibility of increasing the amount of dividends distributed, but if the value of earnings per share little smaller then the likelihood of companies to distribute dividends.

The results support the theory Sutrisno (2009) which states that the amount of dividends distributed to follow the profits earned by the company. The greater the greater the profits from dividends paid, and vice versa when a small profit, dividends paid too little.

Research outputs supporting research that has been conducted by Sagala (2011), Purba (2012), and Febrynawati (2014) which states that the net profit positive and significant impact on cash dividends, so it can be concluded that the amount of cash dividends distributed enterprise depends on the size profits from the company.

Effect of Operating Cash Flow to Cash Dividend

Based on the results of multiple linear regression analysis, it is known that the operating cash flow have a negative impact on cash dividends. In addition, from the results of partial hypothesis testing known that operating cash flow have a significant effect on cash dividends. This is because if the operating cash flow increases, the distributed cash dividends will decrease, and vice versa.

The results showed that the operating cash flow significant negative effect on cash dividends, as there are several retail trade companies that have a value of positive operating cash flow or increased, but not cash dividends. This is caused by the company prefers to purchase investments that generate higher return or to maintain liquidity rather than distributed to shareholders in the form of cash dividends.

The results support the theory put forward by Franco Modigliani and Merton Miller which stated that the company would use the profits to finance investment for investment projects generate returns higher than expected return. If the company has a residual profit after investment in the project, then distributed as cash dividends to the shareholders.

The results of this study support the research that has been done by Febrynawati (2014) which states that the net profit of a significant negative effect on cash dividends, so it can be concluded that the amount of cash dividends distributed will decrease or not distributed if the company has a business development plan or investment spending.

Effect of Net Income and Operating Cash Flow Simultaneous to the Cash Dividend

From the results of hypothesis testing simultaneously is known that the net income and operating cash flows simultaneously significant effect on cash dividends. In addition, the results of testing the coefficient of determination (R2) shows that the ability of net income and operating cash flows in explaining the variations in the proportion of cash dividends is getting weaker.

The results support the theory put forward by Atmaja (2008) that cash dividends can only be distributed when available cash is sufficient.

The results showed that the net income and operating cash flows simultaneously positive and significant impact on cash dividends, because the cash dividends distributed to shareholders affected by net income and cash flows produced by the company. In addition to net income increases, the company must also have sufficient cash, because if cash is not sufficient then the company will choose the retained earnings to be reinvested is not provided to shareholders in the form of cash dividends.

The results of this study support the research that has been done by Manurung (2009), Sagala (2011), Ujihastuti (2012), and Febrynawati (2014) which states that the net income and operating cash flows simultaneously positive and significant impact on cash dividends, so that it can concluded that if the net income and operating cash flow increased, distributed cash dividends will also increase.

CONCLUSIONS AND SUGGESTIONS

Based on the analysis of data on the effect of net income and operating cash flows to the cash dividend on retail trading company in Indonesia Stock Exchange 2008-2014 period, it can be concluded as follows:

The net profit and significant positive effect on cash dividends on retail trading company in Indonesia Stock Exchange 2008-2014 period. Net income as indicators measure of corporate performance. The larger the company generated net income, indicating the company's performance is getting better. The greater the net profit generated, the greater the profits will be given to shareholders as dividends.

Operating cash flow and a significant negative effect on cash dividends on retail trading company in Indonesia Stock Exchange 2008-2014 period. This is because some retail trading company that has a value of positive operating cash flow or increased, but not cash dividends. Companies prefer to make purchases investments that generate higher return or to maintain liquidity rather than distributed to shareholders in the form of cash dividends.

Net income and operating cash flows simultaneously significant effect on cash dividends on retail trading company in Indonesia Stock Exchange 2008-2014 period. The company's ability cash dividends not only measured by the amount of net income produced by the company, but is also determined by whether or not enough cash available. The larger the net income and operating cash flows are generated, the greater the company's ability cash dividends. Cash dividends will be distributed if the company has sufficient cash and able to finance the company's operations with cash which is available without having to fear the company's financial disrupted.

Research limitations

There are several limitations in this study include:

(1) The study only took two independent variables, namely net income and operating cash flows as factors affecting cash dividend, but there are many other variables that can affect cash dividends; (2) This study only used 13 samples of retail trade sub-sector companies listed on the Indonesia Stock Exchange; (3) the observation period in this study is 7 years, from 2008-2014; (4) test results heteroskedastisitas that are part of the classical assumption test showed that the symptoms of heteroscedasticity in regression models. To portray the company's true condition, then the test is passed despite heteroskedastisitas symptoms.

SUGGESTION

Based on the conclusions, there are some suggestions that can be given with regard to this research, among others:

Investors and prospective investors are advised to know the performance of the company before making an investment decision. The company's ability to pay

dividends is determined by the amount of net profit, but cash flow is not necessarily describe the company's ability to pay cash dividends. Sometimes companies prioritize investment or maintain the company's liquidity (paying debts). For that need to know the condition of the company's liquidity and policies taken by the company concerned.

Companies are advised to increase their performance in order to improve investor confidence and interest in investing. Companies that have a good performance will be assessed able to survive and be able to provide an investment return in the form of cash dividends to shareholders. Despite fluctuating earnings, dividends should be stable. Stable dividend payment will give the impression to investors that the company has good prospects in the future. Good corporate performance and accompanied by the provision of a stable investment return, will attract investors to invest.

Researchers further suggested to be able to add more independent variables that can affect the distribution of cash dividends. In addition, it is recommended to increase the study sample, not only in one sub-sector of the company, but can be taken from several subsectors or one sector companies listed on the Indonesia Stock Exchange, in order to obtain the results that can be generally applicable

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