



UNIVERSITAS AIRLANGGA
FACULTY OF ECONOMICS AND BUSINESS



Book of Abstracts

**AIRLANGGA INTERNATIONAL CONFERENCE
ON ECONOMICS AND BUSINESS | 2018**

**DISRUPTION ERA:
HOW SHOULD BUSINESS AND GOVERNMENT
RESPONSE?**

Faculty of Economics and Business - Universitas Airlangga
Surabaya. October 24, 2018

Welcome Remarks

International conferences provide an excellent opportunity to bring together academics from different countries and background for the purpose of presenting their research result, critically discussing methodology and finding and improving the quality of research and the impact of the research on society and science. Furthermore, conferences enable the scientific community to create new networks, to foster relationships and extend their visibility.

Airlangga International Conference on Economics and Business (AICEB) 2018 is an annual conference Hosted by Faculty of Economics and Business, Universitas Airlangga, in Collaboration with Association for Faculties of Economics and Business – Indonesia (AFEBI). The theme of AICEB 2018 is Disruption Era : How Should Business and Government Response?

I expect this conference raises an important things in the discussion room and proceeding. The theories use in this conference should be problem driven-that is addressing a problem of direct, indirect, or long-linked relevance to practice, rather than narrowly addressing the (theoretical) issues. Hence, the research and discussion in this conference could provide a useful insight for practitioners, while at the same time contribute to the development of the field of economics and business.

I'm looking forward to seeing you in AICEB in the near future

With warmest regards

Dr. Rudi Purwono

AICEB 2018 Conference Chair

Foreword

Assalamualaikum Warahmatullahi Wabarokatuh

Praise be to God for the Almighty who for His grace, the preparation for organizing the 1st AICEB can run well. It is a big work for us at the Faculty of Economics and Business Airlangga University to held this International conference.

Welcome to all conference participants at the Faculty of Economics and Business, Airlangga University. In accordance with the theme of the 1st AICEB: " Disruption Era : How Should Business and Government Response? ", it is expected that this conference can produce many contribution to the development of research in the area of economics and business, especially in topic that is related to the disruption issues.

My highest appreciation to all committee who have worked hard to prepare this agenda well. Hopefully the 1st AICEB can run smoothly and can be a means to be able to answer the future challenges faced by the Field of Economics and Business.

Surabaya, October 2018

Dean of FEB UNAIR,

Prof. Dr. Hj. Dian Agustia, SE., M.Si.,Ak

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**The Influence Of Dividend Changes On Future
Earnings Changes**

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ABSTRACT

Information is an essential element for investors and businesses. The Market will immediately analyse and interpret all information issued by the company as a signal, whether it is a good signal (good news) or bad signal (bad news). Asymmetry information between management and investors make signalling theory is very important to note. Earnings and dividend are a few things being concerned by investors as a signal of the company. This study aims to examine the influence of dividend changes, earnings per share, and earnings per share changes on future earnings changes. This study used manufacturing companies that pay dividends during 2006-2010 as the sample, and used multiple regression as the research method. Based on the results obtained in this study, dividend changes and CFO1 have a positive and significant effect on future earnings changes, while variable earnings per share, earnings per share changes, and PBV have no

Keywords: dividend; future earnings changes; multiple regression.

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The PROPER Award, CSR Performance, and Market Performance In The Indonesia Stock Market: Does Environmental Award Create Value?

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ABSTRACT

This study aims to examine the effect of environmental performance measured by rating of the PROPER award (the Corporate Performance Rating Assessment Program in Environmental Management of the Ministry of Environment and Forestry of the Republic of Indonesia) and the performance of the implementation of Corporate Social Responsibility (CSR) on the market performance of company in the Indonesia Stock Exchange. Market performance is measured using the Tobin's Q ratio, and information about CSR performance is obtained from the issuer's Annual Report. CSR disclosure criteria developed by Hackston and Milne (1996) are used as CSR performance assessment criteria. The sample used was 184 companies listed on the Indonesia Stock Exchange (IDX) for the period 2011-2014 and revealed the implementation of CSR in its annual report.. Test results using ordinary least square indicates that the PROPER award which is a measure of environmental performance is related to market performance. Companies that receive prestigious PROPER awards (blue, green or gold) exhibit higher market performance. CSR performance has a positive effect on market performance. Furthermore, CSR performance is fully mediating the influence of the PROPER award on market performance. However, the assignment of control variables makes partial mediation by CSR occur. Robustness checks using quantile regression show that CSR is fully mediating the influence of the PROPER award on companies with small and medium market performance (Q25 and Q50). While for companies with large market performance (Q75 and Q90) CSR is only partially mediating these influences.

Keywords: the PROPER award; corporate social responsibility performance; market performance.

THE INFLUENCE OF DIVIDEND CHANGES ON FUTURE EARNINGS CHANGES

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Keywords: Dividend, future earnings changes, multiple regression.

Abstract: Information is an essential element for investors and businesses. The Market will immediately analyse and interpret all information issued by the company as a signal, whether it is a good signal (good news) or bad signal (bad news). Asymmetry information between management and investors make signalling theory is very important to note. Earnings and dividend are a few things being concerned by investors as a signal of the company. This study aims to examine the influence of dividend changes, earnings per share, and earnings per share changes on future earnings changes. This study used manufacturing companies that pay dividends during 2006-2010 as the sample, and used multiple regression as the research method. Based on the results obtained in this study, dividend changes and CFO1 have a positive and significant effect on future earnings changes, while variable earnings per share, earnings per share changes, and PBV have no

1 INTRODUCTION

Companies are established with the aim to improve the welfare of its shareholders, and the increase of its shareholder's welfare will be followed with the increase of company's value. One way to increase the company's value is by achieving the targeted sales and profits, making it able to pay off its debts, to distribute dividends to its shareholders, and to promote business growth.

Financial information is often used by investors as a tool to predict the current abilities and performances of companies to generate profits. However, as uncertainty in the current business world increases, investors will also need some tools to predict future earnings changes.

Investors often use fundamental and technical analysis to help analyze stocks' returns and risks. Return of stock consists of dividend and capital gain. Since dividend comes from corporate earnings, investors need to analyze information about companies' dividend distributions and financial statements as the basis for decision making whether they want to sell or buy certain shares. This existing link between earnings and dividends may be used as

an analytical tool for investors to predict company's future earnings.

The signaling concept within the scope of financial management allows shareholders to gain additional information about the future prospects of companies, including dividends. According to the signaling hypothesis for dividends, when the amount of company dividend is higher than the market expectation, it is a sign that the company's future financial prospects are better than expected. This reason makes all information about earnings and dividends of a company greatly affect the investment decisions of many of its investors and potential investors.

Many previous researches studying the influences of earnings and dividends on company values, characteristics, and prospects have been conducted. Some of those researchers argue that the decision for dividend policy of a company is very important as it will affect the company's future performances. Previous study done by Olson and McCann (1994) also found that company earnings can be used as a tool to predict future dividends, and vice versa. These findings are consistent with the content of dividend signaling theory.

However, based from a research conducted by Vieira and Raposo (2007), they only found weak evidences about the dividend information hypothesis. They argue that market reaction does not always match with the announcement of dividend changes because market does not understand the signals given by the company through the announcement of dividend changes. Similar results are also found by Grullon, Michaely, Bernartzi, and Thaler (2003), in which dividend changes did not correlate with future earnings changes

In Indonesia, Astuty and Siregar (2007) have already tested the signal from dividend changes and they found that the amount of dividends could significantly signify the company performance during the next one-year period, which is proxied by Return on Equity and Net Profit Margin. Seeing the various results in these studies, authors are interested to re-examine the Influence of Dividend Changes on Future Earnings Changes on Manufacturing Companies Listed on the Indonesia Stock Exchange during the period of 2006 to 2012.

2 THEORETICAL FRAMEWORK

2.1 Earning Per share (EPS)

EPS can be used to measure the share of income earned by the shareholders. According to Skousen et.al (2004: 937), "EPS is profit for a period reported on a per share basis and is used to assess the profitability of a company." Belkaoui (1998) also stated that EPS (earnings per share) represents the earnings received from every outstanding common shares and common shares equivalents or other shares to be converted into the periodic cash.

2.2 Dividen

Dividend policy is determined by the shareholders through the GMS (General Meeting of Shareholders). Dividends are the share of profits that the company provides to its shareholders as a compensation for the use of funds and the risks borne by the shareholders. According to Simamora (2000: 243) dividend is the division of company assets to its shareholders that can be paid in cash, shares of company, or any other current assets. According to Weston and Coopeland (1996: 125), dividend policy is the decision to determine the amount of earnings that will be distributed to the shareholders and the shares of earnings to be held at the company.

2.2.1. Signaling Theory

Signaling Theory emphasizes the importance of information content released by companies. This theory is based on the assumption that the information received by each party is not the same because of information asymmetry exists between corporate management and information users. Thus, managers need to provide the information required by the information users through the issuance of financial statements and annual reports publicly and transparently to attract investors.

After that, the market participants can immediately analyze and interpret all of the information as a signal, whether it is a good signal or bad signal, which will be a hint for the investor about the company's future prospects.

According to Sharpe et al., (1999) the announcement of dividend distribution information is included as a form of signaling device. Company's action to distribute cash dividend will make the company circulate a large amount of cash coming from its earnings, which will only be generated by good performing companies, thus this step cannot be followed by poor performing companies.

However, Brigham and Houston (1999) have found it difficult to determine whether changes in stock prices at the time of the announcement of dividend changes reflect the signaling effects or the investors' preference for dividends. However, signaling models are often used to explain the value of dividend changes information content.

2.2.2 Dividen Per Share (DPS)

DPS is a ratio showing how much dividend per share earned by shareholders. The higher the after-tax earnings, the dividend per share that will be accepted by common shareholders will also be higher.

2.3 The Influence of Dividend Changes on Future Earnings Changes

Companies' prospects are often reflected based on the presence or absence of dividend changes compared to last year. A research that used dividend signaling models yields the conclusion that firms tend to increase its dividends if the management believes that future earnings changes will increase Sharpe et al. (1999). However, according a research done by Subekti and Kususma (2000), the low value dividend payout policy tends to be conducted by growing companies. Conversely, companies with lower

growth rates will seek to withdraw funds from outside parties to fund its investments at the expense of distributing most of its gained profit in the form of dividend or interest payments.

2.4 The Influence of Earning per Share and Earning per Share Changes on Future Earnings Changes

EPS ratio shows the ability of companies to generate profits on a per share basis. However, the value of company's EPS often affects the amount of dividends the company pays during a certain period. In theory, the amount of dividends paid will be higher if the company can produce a higher earnings per share (EPS). The large dollar amount of dividends will then attract investors because of the perceived company's ability and performance, thus encouraging the investors to invest in the company, which is expected to also affect company's future earnings changes. This is supported by a research conducted by Finger (1994), which states that earnings is a significant predictor for companies' future profits for the next one to eight years.

Meanwhile, high values of earnings per share changes indicate that the company is able to generate high amount of profits from year to year (with the assumption that the number of outstanding shares is fixed). This information often affects in the increase in value and the amount of investment in the company's shares, which will then drive the increase in company's stock market price. In contrast, information about lower earning indicates that the company has failed to meet shareholder expectations and will ultimately affect future earnings changes of the company.

2.5 The Influence of Cash Flow Predictability Estimation (CFO1) on Future Earnings Changes

The value of earning that has been earned by a company may provide information that is contrary to the amount or value of its cash flows, which is caused by the use of accrual accounting basis.

According to Hendriksen (1989), reporting with an accrual basis still contains some biases because of its historical nature, which raises biases in the

reporting of complex economic activities. Therefore, report on cash flow is now widely considered by financial analysts and investors to provide some additional information about company's abilities to generate profits in the future, to conduct its main operational activities and to fulfill its obligations.

2.6 The Influence of Price-to-Book Value (PBV) on Future Earnings Changes

PBV shows how companies are able to create value relative to the amount of capital invested. For well-run companies, this ratio usually reaches above 1, indicating that its stock market value is higher than its book value. The higher the PBV ratio, the more successful that particular company creates value for its shareholders. Indirectly, the increase of this ratio will also affect the funds available for investment and the future earnings of the company.

2.7 The Influence of Return on Equity (ROE) on Future Earnings Changes

ROE, or Return on Equity, is the return on shareholders' equity, measured by calculating the ratio of profit earned on book value. Increase in company's profits will also increase the company's ROE. This high ROE ratio will become a signal to the investors that the company has been successfully used their own capital effectively and efficiently, and it will provide additional assurances to the investors to obtain the expected income or profit.

3 HYPOTHESIS

- H1: Increasing dividend changes are positively influencing company's future earnings changes
- H2: Decreasing dividend changes are positively influencing company's future earnings changes
- H3: Earning per share is positively influencing company's future earnings changes
- H4: Earning per share changes are positively influencing future earnings changes.
- H5: CFO1 is positively influencing company's future earnings changes
- H6: PBV is positively influencing company's future earnings changes.

H7: ROE is positively influencing company's future earnings changes.

4 ANALYSIS MODEL

Multiple linear regression is performed to see the significant level of variables against the dependent variable in this study.

The analysis model of this study is:

$$FEC_{i,t} = \alpha_0 + \alpha_1 DPC_{i,t} + \alpha_2 DNC_{i,t} + \alpha_3 SE_{i,t} + \alpha_4 SEC_{i,t} + \alpha_5 CFO1_{i,t+1} + \alpha_6 PBV_{i,t} + \alpha_7 ROE_{i,t} + \epsilon_0$$

- FEC = Future Earnings Changes
 DC = Dividend Changes
 DPC = Dummy Positive Coefficient; valued at 1 for increasing dividend changes and 0 for decreasing dividend changes
 DNC = Dummy Negative Coefficient; valued at 0 for increasing dividend changes and 1 for decreasing dividend changes
 SE = Earnings per Share
 SEC = Earnings per Share Changes
 CFO1 = Cash Flow Predictability Estimation
 PBV = Price to Book Value
 ROE = Return on Equity

4 RESEARCH METHODOLOGY

4.1 Research Variables

This research uses a quantitative research approach, and the research object is to test the relationship between hypothesized variables. The dependent variable in this study is future earnings changes, and the independent variables are dividend changes, earning per share and earning per share changes.

Meanwhile, the control variables in this study consist of cash flow predictability estimation, price to book value and return on equity.

4.2 Dependent Variable

The dependent variable of future earnings changes is explained through this equation:

$$FEC_{i,t} = \frac{EAVG\{it+1,it+2\} - EI_{i,t}}{TEI_{i,t}}$$

$FEC_{i,t}$ = Future Earnings Changes of company i in year t

$EAVG\{it+1,it+2\}$ = Average Earning After Tax of company i in year $t+1$ and $t+2$

$E_{i,t}$ = Earning After Tax of company i in year t

$TE_{i,t-1}$ = Total Equity of company i in year $t-1$

4.3 Independent Variable and Control Variable

Independent variables and control variables in this study include:

1. DPC = Dummy positive coefficient, which is valued at 1 for increasing dividend changes and 0 for decreasing dividend changes
2. DNC = Dummy negative coefficient, which is valued at 0 for increasing dividend changes and 1 for decreasing dividend changes
3. Dividend Changes are calculated by dividing the amount of dividend changes of company i in year $t-1$ by its book value of equity
4. Earning per share (SE) is calculated by using standardized variable, which is by dividing company's EPS in year $t-1$ by its book value of equity
5. Earning per share changes (SEC) is calculated by using standardized variable, which is by dividing the amount of company's EPS changes in year $t-1$ by its book value of equity.
6. Cash Flows Predictability Estimation (CFO1)
 This research used the model made by Barth et.al (2001):

$$CFO1_{i,t+1} = \alpha_0 + \alpha_1 CFO_{i,t} + \alpha_2 \Delta AR_{i,t} + \alpha_3 \Delta INV_{i,t} + \alpha_4 \Delta AP_{i,t} + \alpha_5 Depr_{i,t} + \alpha_6 Amort_{i,t} + \alpha_7 Other_{i,t} + \epsilon_0$$

$CFO1_{i,t+1}$ = Cash flows predictability estimation
 $CFO_{i,t}$ = Operating cash flow of company i in year t

$\Delta AR_{i,t}$ = The difference between account payable of company i in year t and $t-1$

$\Delta INV_{i,t}$ = The difference between inventory of company i in year t and $t-1$

$\Delta AP_{i,t}$ = The difference between account payable and interest of company i in year t and $t-1$

$Depr_{i,t}$ = Depreciation of company i in year t

$Amort_{i,t}$ = Amortization of company i in year t

7. Price to Book Value (PBV)

Equations used to calculate PBV are:

$$PBV_{i,t} = \frac{CP_{i,t}}{B_{i,t}} \quad B_{i,t} = \frac{TE_{i,t}}{CSI_{i,t}}$$

$CP_{i,t}$ = Closing price of company i in year t

$B_{i,t}$ = Book Value of equity of company i in year t

TE_{i,t} = Total Equity of company i in year t
 CS_{i,t} = Total Outstanding Share of company i in year t

8. ROE

Equation used to calculate ROE is:

$$ROE_{i,t} = \frac{E_{i,t}}{TE_{i,t}}$$

E_{i,t} = Earning after tax of company i in year t

TE_{i,t} = Total Equity of company i in year t

5 DATA TYPE AND SOURCE

The type of research data utilized in study is secondary data obtained from Indonesia Stock Exchange through its website www.idx.co.id. The data used are audited financial statement data that can be obtained from Indonesia Capital Market Directory (ICMD), as well as other publication report data, such as data on dividends, which are required for measurement of variables, which are obtained from previous researches and some other economic and business sites

5.1 Population and Sample

The population in this research is manufacturing companies listed on Indonesia Stock Exchange and located in Indonesia during period of year 2006-2012. Purposive sampling method is used with these criteria:

1. Manufacturing companies already listed on Indonesia Stock Exchange during the period of 2006-2012.
2. Manufacturing companies that pay cash dividends on a regular basis for two consecutive years during the period of 2006-2010.
3. Manufacturing companies that obtain positive net income during the period of 2006-2010.
4. Manufacturing companies that have complete financial reporting data during the period of 2006-2012 and do not conduct any corporate actions.

5.2 Analysis Technique

This study uses statistical methods by calculating the magnitude of each variable to be analyzed. These variables are analyzed using

multiple linear regression analysis with the help of SPSS for windows program. The techniques conducted in this study are as follows:

1. Calculate the value of each variable to be analyzed in this study.
2. Conduct descriptive statistic analysis to understand the overview or description of the magnitude of each variable studied.
3. Test the classical assumptions. This test aims to ensure that the regression model is BLUE (Best Linear Unbiased), which is conducted by performing the normality test, the multicollinierity test, the heteroscedasticity test, and the autocorrelation test.
4. Conduct hypothesis testing, which is to test the influence of independent variables and control variables on the dependent variable using multiple regression analysis. Hypothesis testing is done through F - test and t - test to determine the significant influence of the independent variables and the control variables to the dependent variable, and calculate the coefficient of determination (R²) to be able to know the extent by which the dependent variable can be explained by the independent variables.

6 RESULT AND DISCUSSION

6.1 Result

Table 1 below presents the results of descriptive statistics on every variable examined in this research.

	Min	Max	Mean	Std. Deviation
FEC	-0.48	1.51	0.1171	0.30679
DPCDC	0	1.21	0.0653	0.18071
DNCDC	-0.69	0	-0.0284	0.10951
SE	0.05	1.12	0.2991	0.2343
SEC	-0.26	0.7	0.0795	0.14339
CFO1	15.54	31	21.8805	4.12905
PBV	0.22	35.45	3.8216	6.72054
ROE	0.04	3.24	0.2962	0.45352
Valid N				
(listwise)				

Source: Processed data

Based on the above table, it can be seen that the lowest value for FEC variable is owned by PT BATA of -0.48, while the highest value of 1.51 for FEC variable is owned by PT GDYR, because during 2007, the economic condition of Indonesia is at its best condition. With an average value of 0.11 and a standard deviation of 0.30, it indicates that the firms' future earnings changes are relatively good because of its positive value. The variable of increasing dividend changes is known to have the highest value of 1.21, which is owned by MLBI Company during 2008, and the lowest value of -0.69, which is also owned by MLBI Company during 2009. The earning per share variable has the highest value of 1.12, which is owned by MLBI Company during 2008, and the lowest value of EPS variable is 0.05, which is owned by BRAM during 2007. The variable of earning per share changes has the highest value of 0.70, which is owned by MLBI Company during 2008, and the lowest value of earning per share changes variable is -0.26, which is owned by BATA during 2009. The highest value for CFO1 variable is owned by SMAR with the amount of 31.00 during 2008, and the lowest value of CF01 is owned by SCCO with the amount of 15.54 during 2007. The highest value for PBV variable is owned by MLBI with the amount of 35.45 during 2009, and the lowest value of PBV variable is 0,22, which is owned by MRAT during 2008. Last, the highest value of ROE variable is owned by MLBI Company with the amount of 3.24 during 2009, and the lowest value of ROE variable is 0.04, which is owned by BRAM company during 2007.

The analysis of the influence of independent variables on dependent variable is done by using multiple linear regression analysis with SPSS 21 for windows program.

Table
Multiple Linear Regression Test Results

Variable	Coef.	Std Error	t-stat	Sig.
Constanta	-0,324	0,223	-1,451	0,077
DPCDC	0,959	0,324	2,958	0,002
DNCDC	-0,300	0,509	-0,59	0,279
SE	-0,621	0,489	-1,269	0,105
SEC	0,026	0,543	0,049	0,48
CFO1	0,022	0,011	2,047	0,023
PBV	0,017	0,012	1,406	0,083
<i>R Square</i>	0,291			
<i>Std Error</i>	0,27579			

Source: Processed Data

Based table, the following multiple linear regression equation is obtained:

$$\text{FEC} = -0,324 + 0,959\text{DPCDC} - 0,300\text{DNCDC} - 0,621\text{SE} + 0,026\text{SEC} + 0,017\text{CFO1} + 0,022\text{PBV} + e$$

The explanation of the previous equation is as follows:

- The value of constant (β_0) of -0.324 indicates that if the value of independent variables and the control variables are 0 (zero), then the value of future earnings changes (FEC) will decrease by -0.324.
- The regression coefficient (β_1) for DPCDC of 0.959 indicates that if there is an increase in the value of increasing dividend changes by one unit, then the value of future earnings changes (FEC) will increase by 0.959.
- The regression coefficient (β_2) for DNCDC of -0.300 indicates that if there is an increase in the value of decreasing dividend changes by one unit, then the value of future earnings changes (FEC) will decrease by -0.300.
- The regression coefficient (β_3) for earnings per share (SE) of -0.621 indicates that if there is an increase in the value of earnings per share by one unit, then the value of future earnings changes (FEC) will decrease by 0.621.
- The regression coefficient (β_4) for earnings per share changes (SEC) of 0.026 indicates that if there is an increase in the value of earnings per share changes by one unit, then the value of future earnings changes (FEC) will increase by 0.026.
- The regression coefficient (β_5) for CFO1 of 0.022 indicates that if there is an increase in the value of cash flow predictability estimation (CFO1) by one unit, then the value of future earnings changes (FEC) will increase by 0.022.
- The regression coefficient (β_6) for Price to Book Value (PBV) of 0.017 indicates that if there is an increase in the value of Price to Book Value (PBV) by one unit, then the value of future earnings changes (FEC) will increase by 0.017.
- Coefficient of determination derived from the value of R – Square is equal to 29.1%, meaning 29.1% of the future earnings changes (FEC) can already be explained by DPCDC, DNCDC, SE, SEC, CFO1 and PBV variables, while the remainder of 70.9% is explained by other variables. Based on Table 4.6, it can be seen the t - test results for 2 independent variables in this study have significance level < 0.05. Those independent variables are the increasing dividend changes (DPCDC), which shows the

value of 0.002 and the cash flow predictability estimation (CFO1), which shows the value of 0.023. These variables have positive significant influences on the future earnings changes (FEC) dependent variable. Meanwhile, the other four independent variables have no significant influences on the future earning changes (FEC) variable because their significance value is above 0.05.

6.1 Discussion

Based on the future earnings changes model, the variable of increasing dividend changes and cash flow predictability estimation (CFO1) have positive significant influences on the future earning changes (FEC), leading to hypotheses 1 and 5 are not rejected. These results are in accordance with the results of previous researches conducted by Zare et.al (2012) and Nissim et.al (2001).

6.1.1 The Influence of Increasing Dividend Changes on Future Earning Changes

The results of this study indicate that increasing dividend changes influence future earnings changes significantly. Part of the reason is because increasing dividend changes is one of the signal that management has forecasted a rise in future corporate earnings. The increasing dividend changes also indicate company's future prospects based on the evidence that the company has a commitment and ability to increase its long-term earnings and profitability, which is observed as a positive signal by investors, and ultimately lead to increasing stock price. In conclusion, the results of this study do not conflict with the signalling theory. This study is also in accordance with previous researches done by Miller et. al (1985) and Astuty and Siregar (2007) who found that dividend announcements contain current and future earnings information.

6.1.2 The Influence of Decreasing Dividend Changes on Future Earning Changes

The announcement of decreasing dividend payment by Sharpe et al., (1999) is seen as a signal from management that they have lowered their estimates about the company's future earnings. Some firms are reluctant to lower the amount of dividends it distributes to investors because the market will see this action as an indication that the company is going through a bad financial condition. As a result of this information, investors will often lower their expectations about company's future earnings, which will eventually lead to falling in the company's stock prices. Based on the results of this study, decreasing

dividend changes variable has insignificant value, meaning a decrease in the amount of dividend payment is not to be responded by investors directly because there are many investors who see this information as a result that the company wants to reinvest, where it will take time to get the result.

6.1.3 The Influence of Earnings per Share on Future Earnings Changes

The results of this study are in line with the results of previous research conducted by Zare et.al (2012), which states that earnings per share has no effect on future earnings changes. Generally information about earnings is often influenced by the earnings management practices or the permanent earnings policy determined by the company. However, according to Miller and Rock's research in Elly Rahmad (2009), they stated that company that distributes dividends tends to conduct earnings management activities, while one of the most common earnings management practices is income smoothing.

In addition, the value of net profit which is stated in company's income statement is prepared on the basis of accrual basis. This accrual basis allows the reporting of revenues and expenses even though no cash has been received or distributed. In addition, the insignificant influence of earnings per share on future earnings changes can also be caused by the effects of the crisis around the year of 2008 that affect investors' confidence in Indonesia market, thus making the information about firms' earnings to be less considered by the investors.

6.1.4 The Influence of Earnings per Share Changes on Future Earnings Changes

Based on the result of this study, earnings per share changes has no significant effect on future earnings changes. This result can be explained by the possibility that future earnings are influenced by previous earnings associated with the permanent earnings policy already determined by the company. The preparation of an income statement on an accrual basis also allows for the reporting of income and expenses even though no cash has been received or distributed by the company. This result is in line with the results of previous researches conducted by Zare et. al (2012) and Nissim et.al (2001), stating that the value of company's earnings per share changes do not influencing the future earnings changes.

6.1.5 The Influence of Cash Flow Predictability Estimation (CFOI) dan Price per Book Value (PBV) on Future Earnings Changes

The results in this study shows that cash flow predictability estimation (CFOI) is influencing future earning changes. Cash flow is very important for company's operations because cash is used to pay debts, to pay dividends, and to finance the operations of the company. This shows that the value of cash flow predictability estimation can convey information about the future prospect of the company. Meanwhile, the insignificant influence of Price to Book Value (PBV) to reflect future earnings changes is due to the Indonesia stock market that is strongly influenced by the investor sentiment. These conditions make any changes in CFOI and PBV to have no effect on the future earnings changes of the company.

7 CONCLUSIONS

The results of this research can be concluded as follows:

1. Increasing dividend changes are positively influencing company's future earning changes
2. Decreasing dividend changes are not positively influencing company's future earning changes
3. Earning per share (EPS) is not positively influencing company's future earnings changes
4. Earning per share changes are not positively influencing future earnings changes
5. CFOI is positively influencing company's future earnings changes
6. PBV is not positively influencing company's future earnings changes

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