



## **Propensity To Pay Dividend : Testing For Life Cycle and Free Cash Flow Theories**

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### **Keywords**

Life cycle, free cash flow, size, profitability, debt, investment opportunities.

### **Jel Classification**

D82, D84, G02, G35.

### **Abstract**

The purpose of this study is to provide evidences in context of life cycle and free cash flow theories. The study examines the potential factors of firms to pay dividend by conducting logistic regression with sample of 138 firms listed in Indonesia Stock Exchange for period 2010 till 2015. The result of analysis shows that dividend payers generally are firms at mature stage which is consistent with life cycle theory. Also, these mature firms normally are larger firms, more profitable, higher earnings, higher debt and diminish for investment opportunities. In addition, the higher debt for dividend payers indicates the existence of free cash flow effects.