www.bircu-journal.com/index.php/birci
Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)
Budapest Institute

Determinants of Dividend Payout Ratio on IDXHIDIV20 Issuers in Indonesia Stock Exchange

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Abstract

The purpose of this study is to analyze the effect ofreturn on investment, operational cash flow, total assets turnover, debt to equity ratio, and firm size on dividend payout ratio on companies that are listed in the IDXHIDIV20. This study uses quantitative method with descriptive approach. The samples were selected using purposive sampling method and the results consisted of 8 companies from 2016-2020. The data analysis was carried out with Data Panel Regression using EViews 10. The results of this study show that return on investment has a negative and significant effect on dividend payout ratio. Meanwhile operational cash flow, total assets turnover, debt to equity ratio, and firm size didn't have any effect.

Keywords
dividend payout ratio; return on investment; operational cash flow; total assets turnover; debt to equity ratio, firm size

I. Introduction

In the era of globalization, economic competition will certainly continue to increase along with the rapid development of technology and science. Intense competition will certainly make companies in the world compete to be the best. Indonesia is of course also affected by globalization. One way that companies can do is to find investors who are willing to invest their capital in the company. The higher the company's leverage, the company tends to generate less cash, this is likely to affect the occurrence of earning management. Companies with high debt or leverage ratios tend to hold their profits and prioritize the fulfillment of debt obligations first. According to Brigham and Ehrhardt (2013), the greater the leverage of the company, it tends to pay lower dividends in order to reduce dependence on external funding. So that the greater the proportion of debt used for the capital structure of a company, the greater the number of liabilities that are likely to affect shareholder wealth because it affects the size of the dividends to be distributed. (Yanizzar, et al. 2020)

In investing, usually shareholders or investors will expect profits or returns in the form of dividends or in the form of capital gains. From an investor's point of view, dividends can play an important role in maintaining good relations between the company and shareholders. In Indonesia, there are various companies that distribute dividends, either constantly, increasing every year, not regularly, or not at all. Of the various indices provided by the Indonesia Stock Exchange (IDX), there is the High Dividend 20 index (IDX HIDIV20). Quoted from idx.co.id, IDX High Dividend 20 is an index that measures the price performance of 20 stocks that have distributed cash dividends for the last 3 years and have high dividend yields. From this explanation,

John and Muthusamy (2010) argue that the dividend payout ratio can be influenced by various factors such as tax earnings, availability of cash, shareholders' expectations, expected future earnings, liquidity, leverage, return on investment, operating cash flow, and many more. Reporting from Kasmir (2016), return on investment shows the results of

DOI: *https://doi.org/10.33258/birci.v5i2.5165*

the productivity of a company's funds so that the lower the value, the worse the financial productivity of a company. Therefore, the smaller the ROI of a company, the less likely the company is to distribute dividends to shareholders.

According to Yanuarti and Helena (2019), if the cash flow is positive, the company will consider distributing dividends and if otherwise, the company will issue shares to increase its cash flow. According to Kasmir (2016), if the company's income increases, it will certainly be a consideration in distributing dividends. Therefore, if the company's TATO ratio is good, then there is a possibility that the company will distribute dividends to shareholders. According to Kasmir (2016), the Debt-to-Equity Ratio (DER) is a ratio that compares the company's debt and equity. If there is an increase in this ratio, it will usually indicate that the company will distribute smaller dividends. According to Idawati and Gede (2014), the larger the size of the company, the greater the possibility of the company to distribute dividends.

In the research conducted by Nathania and Rosinta (2021), it is known that the factor that has a significant influence is Return on Investment, while Operating Cash Flow, Inventory Turnover, Debt to Equity Ratio, and Firm Size do not have a significant effect on DPR. In a study conducted by Setiawan and Vivien (2021), it is known that profitability and company size have a positive and significant influence on the DPR of manufacturing companies that constantly distribute dividends. Based on research conducted in Tunisia by Echchabi and Azouzi (2016), it is known that only net cash flow and market to book value have a significant effect on the dividend payout ratio. In a study conducted by Emeka (2020), it is known that profitability (ROA), firm size, and liquidity has a positive and significant effect on the dividend payout ratio of companies in Nigeria. Many researchers have examined the DPR's determinants of issuers listed on the Indonesia Stock Exchange (IDX). From several previous studies, it can be seen that there are differences in research results related to variables that affect the Dividend Payout Ratio. Furthermore, there is no research that examines the factors that influence or determine the issuers listed in IDX HIDIV20 to distribute dividends, so this research needs to be done. it can be seen that there are differences in the results of research related to variables that affect the Dividend Payout Ratio. Furthermore, there is no research that examines the factors that influence or determine the issuers listed in IDX HIDIV20 to distribute dividends, so this research needs to be done. it can be seen that there are differences in the results of research related to variables that affect the Dividend Payout Ratio. Furthermore, there is no research that examines the factors that influence or determine the issuers listed in IDX HIDIV20 to distribute dividends, so this research needs to be done.

II. Review of Literature

2.1 Bird in The Hand Theory

In the Bird in The Hand Theory proposed by Gordon and Lintner, investors or shareholders prefer to receive dividends rather than capital gains (Brigham & Houston, 2019). According to Gordon and Lintner (1963), the uncertainty in the business environment makes investors have higher confidence if they receive dividends because the effect can be felt directly, while capital gains do not have an effect that can be felt directly and have a greater risk.

2.2 Signaling Theory

According to Thakur and Kannadhasan (2018), Signaling Theory states that companies will be sure to increase the dividends distributed if the company can expect

increased cash flows. An increase in dividends distributed to shareholders will serve as a signal that the company is able to increase cash flow in the future.

2.3 The Relationship between Return on Investment and Dividend Payout Ratio

According to Nathania and Rosinta (2021:18), the greater the profit from the investment made by the company, the shareholders can also enjoy the results of regular dividend distributions. According to Thakur and Kannadhasan (2018), the greater the profit of a company, the greater the dividends that will be paid to signal the level of company profits in the future.

2.4 Relationship between Operational Cash Flow and Dividend Payout Ratio

According to Nathania and Rosinta (2021), when a company has a high operational cash flow, the company also has a profitable cash flow for investors. According to Dan Lin and Lu Lin (2016), the greater the cash flow of a company, the greater the company's ability to pay larger dividends.

2.5 Relationship between Total Asset Turnover and Dividend Payout Ratio

Nathania and Rosinta (2021:14) state that a good total asset turnover rate indicates that the company can manage its assets well so that the opportunity for the company to distribute dividends will be greater. Wijaya (2017) argues that if a company has a high activity ratio value, this phenomenon is a signal that the company is in good financial condition so that it can distribute dividends to shareholders.

2.6 Relationship between Debt-to-Equity Ratio and Dividend Payout Ratio

Berna Ratna Sari and Atik Djajanti (2021) state that companies with low debt levels tend to distribute dividends in larger amounts to achieve the company's goal, namely maximizing shareholder profits. Ardelia, Hj. Marlina, and H. Taufik (2019:190) argue that companies that use debt as a source of capital tend to reduce the amount of dividends distributed to shareholders on purpose. This is done because the cash received by the company is used to pay off existing debts.

2.7 The Relationship between Firm Size and Dividend Payout Ratio

Lidia and Ekadjadja (2019) stated that large companies will pay higher dividends to shareholders. Berna Ratna Sari and Atik Djajanti (2021) argue that large companies tend to distribute high dividends to shareholders to maintain or maintain their reputation among investors.

2.8 Framework

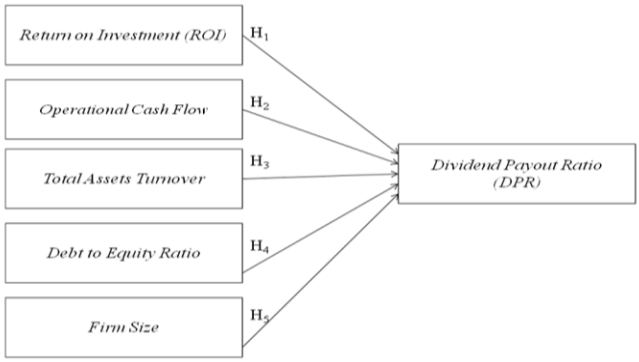

Figure 1. *Research Model*

Hypothesis:
H1: *Return on Investment*has a positive influence on the Dividend Payout Ratio.
H2: *Operational Cash Flow*has a positive influence on the Dividend Payout Ratio.
H3: *Total Asset Turnover*has a positive influence on the Dividend Payout Ratio.
H4: *Debt to Equity Ratio*has a negative effect on the Dividend Payout Ratio.

H5: *Firm Size*has a positive influence on the Dividend Payout Ratio.

III. Research Method

3.1 Population and Sample

The population used in this study are companies listed on the HIDIV index 20 . The sampling technique used is purposive sampling with the following criteria: (1) Companies listed on the HIDIV 20 index in 2020. (2) Companies that present financial statements in rupiah currency. (3) Companies other than the financial sector (banks, insurance companies, leasing companies, securities companies, and property companies). (4) Companies that publish periodic and complete financial reports as of December 31, 2016-2020. (5) Companies that regularly distribute dividends during the 2016-2020 period. (6) Companies that provide the data needed in calculations related to Return on Investment, Operational Cash Flow, Total Assets Turnover, Debt to Equity Ratio, and Firm Size.

3.2 Variable Operations

In this study there are 5 independent variables, namely Return on Investment, Operational Cash Flow, Total Assets Turnover, Debt to Equity Ratio, and Firm Size. Dividend Payout Ratio variable is the dependent variable.

Table 1. Variable Operations

Variable	Indicator	Scale
Dividend Payout Ratio	$\frac{Dividend}{Net\ Income}$	Ratio
Return on Investment	$\frac{Net\ Income}{Total\ Assets}$	Ratio
Operational Cash Flow	*Ln Net Cash Provided by Operating Activities*	Ratio
Total Asset Turnover	$\frac{Net\ Sales}{Average\ Total\ Assets}$	Ratio
Debt to Equity Ratio	$\frac{Debt}{Equity}$	Ratio
Firm Size	*Ln Total Assets*	Ratio

3.3 Data analysis

This study uses quantitative data analysis. The data analysis method used is a statistical model, namely panel data regression analysis. Panel data regression analysis was

carried out using the EViews 10 program. For hypothesis testing, panel data regression analysis tests, F test, t test, and coefficient of determination were performed.

IV. Result and Discussion

4.1 Data Analysis Results

a. Panel Data Regression Analysis Test

Table 2. Panel Data Regression Analysis Test

Dependent Variable: DPR
Method: Panel Least Squares
Date: 12/06/21 Time: 20:27
Sample: 2016 2020
Periods included: 5
Cross-sections included: 8
Total panel (balanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	101.5828	394.4434	0.257535	0.7987
ROI	-305.8344	92.77071	-3.296669	0.0027
OCF	3.251009	4.523326	0.718721	0.4785
TATO	-0.209829	18.07884	-0.011606	0.9908
DER	-7.211803	25.49495	-0.282872	0.7794
FS	-1.915125	12.33392	-0.155273	0.8778

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.708933	Mean dependent var	73.49713
Adjusted R-squared	0.579570	S.D. dependent var	47.96714
S.E. of regression	31.10216	Akaike info criterion	9.969389
Sum squared resid	26118.29	Schwarz criterion	10.51827
Log likelihood	-186.3878	Hannan-Quinn criter.	10.16785
F-statistic	5.480188	Durbin-Watson stat	2.240107
Prob(F-statistic)	0.000120		

b. F Uji test

Based on Table I, the probability value of the F-Statistic is 0.000120. The probability value indicates that the independent variable of this study has a significant effect on the dependent variable simultaneously.

c. t test

Based on Table I, Return on Investment (ROI) has a significant influence on the DPR. This can be seen from the probability value (p-value) of ROI of 0.00027. Operational Cash Flow (OCF) has no significant effect on DPR. This can be seen from the probability value (p-value) of OCF of 0.4785. Total Assets Turnover (TATO) has no significant effect on DPR. This can be seen from the probability value (p-value) of TATO of 0.9908. Debt to Equity Ratio (DER) has no significant effect on DPR. This can be seen from the probability value (p-value) of DER of 0.7794. Firm Size (FS) has no significant effect on DPR. This can be seen from the probability value (p-value) FS of 0.8778.

4.2 Coefficient of Determination Test (R2)

Based on table 5, the R-squared value is 0.579570 (57.96%). This shows that the independent variables consisting of return on investment (ROI), operational cash flow (OCF), total assets turnover (TATO), debt to equity ratio (DER), and firm size (FS) can

explain the dependent variable. in the form of a dividend payout ratio (DPR) of 57.96% and the remaining 42.04% is explained by other variables not examined in this study.

4.3 Discussion

Based on the data that has been processed, it is known that the Return on Investment has a negative and significant effect on the Dividend Payout Ratio. This shows that if the Return on Investment value increases by one unit, the Dividend Payout Ratio value will decrease by 305.8344. This result is the same as Hasan et al (2015), Berna & Atik (2021), and Rosmeilani CM Tiurma & Indra Widjaja (2020) which state that profitability has a negative and significant influence on the dividend payout ratio. the funds are used for investment rather than to distribute dividends.

*Operational Cash Flow*has a positive and insignificant effect on the Dividend Payout Ratio. These results indicate that if the value of Operational Cash Flow increases by one unit, the value of the Dividend Payout Ratio will increase by 3.251009. These results are in accordance with the research conducted by Berna and Ratna (2021).when a company has a high operational cash flow, the company also has a profitable cash flow for investors. According to Dan Lin and Lu Lin (2016), the greater the cash flow of a company, the greater the company's ability to pay more dividends.

*Total Assets Turnover*has a negative and insignificant effect on the Dividend Payout Ratio. The results of data processing show that if the Total Assets Turnover value increases by one unit, the Dividend Payout Ratio value will decrease by 0.209829. The results of this study are in accordance with research conducted by Muhammad Arsyad, et al. (2021).If a company has a high activity ratio value, this phenomenon is a signal that the company is in good financial condition so that it can distribute dividends to shareholders. when the company is in dire need of cash.

*Debt to Equity Ratio*has a negative and insignificant effect on the Dividend Payout Ratio. The results of data processing show that if the value of the Debt to Equity Ratio increases by one unit, the value of the Dividend Payout Ratio will decrease by 7.211803. These results are the same as those conducted by Lisnawati and Sufiyati (2020), Lidia and Agustine Ekadjaja (2019), and Rosmeilani CM Tiurma & Indra Widjaja (2020). Companies that have high debt levels tend to distribute smaller dividends. This happens because companies that use debt as a source of capital tend to reduce the amount of dividends distributed to shareholders on purpose. This is done because the cash received by the company is used to pay off existing debts.

*Firm Size*has a negative and insignificant effect on the Dividend Payout Ratio. The results of data processing show that if the Firm Size value increases by one unit, the Dividend Payout Ratio value will decrease by 1.915125. This result is the same as the research conducted by Lisnawati and Sufiyati (2020). This implies that large companies will not necessarily pay higher dividends to shareholders. Berna Ratna Sari and Atik Djajanti (2021) argue that large companies tend to distribute small dividends to shareholders to maintain or maintain their investment needs and their reputation among investors.

V. Conclusion

1. Return on Investmenthas a negative and significant effect on the Dividend Payout Ratio in companies listed on the High Dividend 20 index.
2. Operational Cash Flowhas a positive and insignificant effect on the Dividend Payout Ratio in companies listed on the High Dividend 20 index.

3. Total Assets Turnoverhas a negative and insignificant effect on the Dividend Payout Ratio in companies listed on the High Dividend index 20.
4. Debt to Equity Ratiohas a negative and insignificant effect on the Dividend Payout Ratio in companies listed on the High Dividend index 20.
5. Firm Sizehas a negative and insignificant effect on the Dividend Payout Ratio in companies listed on the High Dividend index 20.

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