The Influence Of Cash Ratio, Current Ratio, and Debt To Total Asset On Cash Dividend in Large Compsumption and Production Goods Trading Sector Companies Listed on The Indonesian Stock Exchange In The Financial Reporting Period 2013 to 2018

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ABSTRACT

This study aims to analyze the effect of Cash Ratio, Current Ratio, and Debt to Total Assets (DTA) on Cash Dividends in large consumer goods and production trade companies listed on the Indonesia Stock Exchange in the 2013 to 2018 financial reporting period. This research is an explanatory research explain the causality relationship using secondary data with the population is that all sectors of the wholesale trade of consumer goods and production listed on the IDX in 2018 are 35 companies. A sample of 7 companies was selected using the purposive sample method in accordance with predetermined criteria including being listed on the IDX and delivering in full accordance with the required information, namely Cash Dividends, Cash Ratio, Current Ratio, and Debt to Total Assets (DTA) during period 2013 - 2018. The method of analysis used is linear regression panel data. The results showed that at the 95% confidence level of the three dependent variables studied, namely: Cash Ratio, Current Ratio, and Debt to Total Assets (DTA), there is one variable that has a significant effect on Cash Dividend of companies in the wholesale trade sector of consumer goods and production, namely Cash ratio. Meanwhile, if tested simultaneously, the Cash Ratio, Current Ratio, and Debt to Total Assets (DTA) have a significant effect on Cash Dividends.

Keywords: Cash Ratio, Current Ratio, and Debt to Total Assets (DTA) and Cash Dividends

INTRODUCTION

Investors expect to get a rate of return in the form of dividends or capital gains, not based on the company's (internal) management policy but based on the results/performance achieved by the company as reflected in the published

financial reports. Any policies adopted by management can only be known by company internal parties. Moreover, for investors the most important thing is to see how the company is developing, especially its financial performance.

As the results of previous research show, the variables that influence dividend policy consist of: profitability, stability of dividends and earnings, liquidity, investment and financing. Meanwhile, based on financial reports, these variables can be identified as follows: (1) profitability (measured by net profit after tax), (2) liquidity (measured by the cash ratio and current ratio), (3) investment (measured by the amount of funds invested in operational fixed assets), and (4) financing (mainly funds obtained from long-term debt plus short-term debt) as measured by the leverage ratio. Meanwhile earnings can be seen from earnings per share (EPS), while dividends (especially cash dividends) are the goal desired by investors in order to obtain income in the form of dividends from their investment results.

LITERATURE REVIEW

Cash Ratio

The cash ratio is a measure of the liquidity ratio, which is the company's ability to fulfill its short-term obligations (current liabilities) through the amount of cash (and cash equivalents, such as demand deposits or other deposits in banks that can be withdrawn at any time) that the company has. The higher the cash ratio shows the company's cash ability to fulfill (pay) its short-term obligations (Brigham, 1983).

Current Ratio

It is a liquidity ratio that describes the company's ability to meet its short-term obligations that have matured. The current ratio itself is an indicator of the liquidity ratio. CR is the ratio between current and current debt owned by the company. This ratio measures the assets owned by the company in terms of the company's current liabilities (Suad Husnan, 1994).

Debt to Total Assets (DTA)

High debt levels will result in lower dividend payments. In other words, debt to total assets has a negative effect on dividends (Parthington, 1989).

Dividend

Robbert Ang (1997) states that dividends are the value of a company's net income after tax minus retained earnings which are held as reserves for the company. This dividend is distributed to shareholders as profit from company profits. Reserves taken from EAT are carried out until the reserves reach a minimum of twenty percent of the issued capital. Issued capital is fully paid up capital plus capital that has not yet been paid up in connection with the issuance of new shares such as rights and warrants. Decisions regarding the amount of retained profits and dividends to be distributed are decided at the General Meeting of Shareholders (GMS).

CONCEPT FRAMEWORK
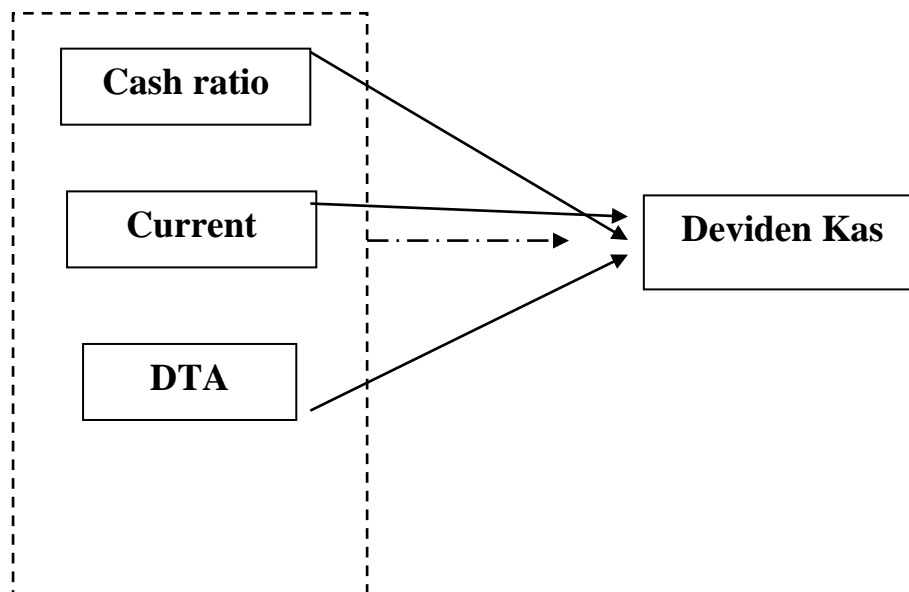
HYPOTHESIS

H1 = There is a significant influence between the Cash Ratio on Cash Dividends in companies in the large trading sector of consumer and production goods on the Indonesian Stock Exchange.

H2 = There is a significant influence between the Current Ratio on Cash Dividends in companies in the large trading sector of consumer and production goods on the Indonesian Stock Exchange.

H3 = There is a significant influence between Debt to Total Assets (DTA) on Cash Dividends in companies in the large trading sector of consumer and production goods on the Indonesian Stock Exchange.

H4 = There is a significant influence between Cash Ratio, Current Ratio and Debt to Total Assets on Cash Dividends simultaneously in companies in the large trading sector of consumer and production goods on the Indonesian Stock Exchange.

POPULATION AND SAMPLE

The total population of companies that are members of the wholesale consumer and production goods trading sector registered on the IDX is 35 companies. From a population of companies, 7 samples of companies were taken that met the criteria.

RESULT

The companies used as research objects are companies operating in the wholesale consumer and production goods trading sector which are listed on the Indonesia Stock Exchange (BEI). Of all the companies in the wholesale trade sector of consumer and production goods listed on the IDX, not all were used as research samples, because in this research the samples used were several companies listed on the BEI in the 2013 - 2018 period which release financial data every year. In accordance with the criteria established in the sampling process (purposive sampling) explained in chapter 3, 7 companies were selected that could be used as samples in the research.

Descriptive Analysis

Descriptive statistical analysis describes the independent variables and dependent variables in this research, namely the Cash Ratio, Current Ratio, Debt to Total Assets (DTA) and Cash Dividend variables. These research variables are

interpreted in terms of lowest (minimum) value, highest (maximum) value, average (mean) and standard deviation. The results of the descriptive analysis can be seen in table 5.1 below:

Table 5.1 Descriptive Analysis

	Y	X1	X2	X3
Mean	20.97905	0.138594	1.208078	0.532205
Median	14.00000	0.118689	1.222967	0.515312
Maximum	120.0000	0.448703	2.826658	1.470011
Minimum	0.000000	0.000000	0.000000	0.000000
Std. Dev.	26.30097	0.115826	0.661608	0.299354
Skewness	2.005919	0.865826	-0.121951	0.654163
Kurtosis	7.408978	3.001649	3.673257	5.223565
Jarque-Bera	62.18436	5.247586	0.897335	11.64793
Probability	0.000000	0.072527	0.638478	0.002956
Sum	881.1200	5.820966	50.73927	22.35262
Sum Sq. Dev.	28361.39	0.550046	17.94671	3.674128
Observations	42	42	42	42

a. Cash Ratio

The Cash Ratio variable has a minimum value of 0.000; The maximum value is 0.448, the average value is 0.1386 and the standard deviation is 0.1158. The highest Cash Ratio value was achieved by Enseval Putra Megatrading Tbk in 2018 at 0.448, while the lowest Cash Ratio was achieved by Lautan Luas Tbk in 2016, Modern International in 2015 and 2016, and Tira Austenite in 2014 and 2016 at 0.000.

b. Current Ratio

The Current Ratio variable has a minimum value of 0.000; The maximum value is 2.8267, the average value is 1.208 and the standard deviation is 0.6616. The highest Current Ratio value was achieved by Enseval Putra Megatrading Tbk in 2018 amounting to 2.8267, while the lowest Current Ratio was achieved by Lautan Luas Tbk in 2016, Modern International in 2015 to 2017, and Tira Austenite in 2014 amounting to 0.000.

c. Debt to Total Assets (DTA)

The DTA variable has a minimum value of 0.000; The maximum value is 1.47, the average value is 0.5322 and the standard deviation is 0.29935. The highest DTA value was achieved by Modern International in 2017 at 1.47, while the lowest DTA was achieved by Lautan Luas Tbk in 2014, Modern International in 2015 and 2016, and Tira Austenite in 2014 and 2016 at 0.000.

d. Cash Dividends

The Cash Dividend variable has a minimum value of 0.000; The maximum value is 120, the average value is 20.979 and the standard deviation is 26.3. The highest cash dividend value was achieved by AKR Corporindo Tbk in 2018 at 120, while the lowest cash dividend was achieved by Enseval Putra Megatrading Tbk in 2014 to 2016, Hexindo Adiperkasa Tbk in 2017, Modern Internasional Tbk in 2017 and 2018, and Tira Austenite Tbk in 2014, 2016, 2017 and 2018 amounted to 0.000.

Data Analysis

 The Cash Dividend variable has a minimum value of 0.000; The maximum value is 120, the average value is 20.979 and the standard deviation is 26.3. The highest cash dividend value was achieved by AKR Corporindo Tbk in 2018 at 120, while the lowest cash dividend was achieved by Enseval Putra Megatrading Tbk in 2014 to 2016, Hexindo Adiperkasa Tbk in 2017, Modern Internasional Tbk in 2017 and 2018, and Tira Austenite Tbk in 2014, 2016, 2017 and 2018 amounted to 0.000.

Classic assumption test

The test results of this research were tested using panel data regression analysis techniques. In the panel data regression model, it must meet the classical assumption test which consists of the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. These assumptions must be met in order to obtain an accurate panel regression equation.

a) Multicollinearity Test

The multicollinearity test aims to test whether in the regression model a correlation is found between the independent variables. A good regression model should not have correlation between variables (Ghozali, 2001). To be able to determine whether there is multicollinearity in the regression model in this study, you need to look at the VIF (Variance Inflation Factor) value. If the VIF value obtained is more than 10, multicollinearity occurs, whereas if the VIF value is less than 10, multicollinearity does not occured.

Table 5.2 Multicollinearity Test

Variance Inflation Factors

Date: 07/11/19   Time: 21:14
Sample: 1 42
Included observations: 42

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	108.0240	7.710211	NA
X1	2976.405	6.862849	2.782198
X2	90.19541	12.14635	2.750843
X3	164.7408	4.359082	1.028613

Based on the Coefficients table above, the VIF value for each variable is less than 10. This shows that there is no correlation between the independent variables so that the multicollinearity assumption can be fulfilled.

a) Heteroscedasticity Test

The Heteroscedasticity Test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another observation. Homoscedasticity testing in this study was carried out using the Harvey test which is shown in the following table:

Table 5.3 Heteroscedasticity Test

Heteroskedasticity Test: Harvey

F-statistic	1.767029	Prob. F(3,38)	0.1699
Obs*R-squared	5.141803	Prob. Chi-Square(3)	0.1617
Scaled explained SS	7.688797	Prob. Chi-Square(3)	0.0529

Based on the output table above using $\alpha=5\%=0.05$, the value of Prob. Chi-Squared for Obs*R-squared (0.0529) is greater than α (0.05) so it fails to reject H0, which means that heteroscedasticity does not occur.

Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1 (previously). If correlation occurs, it is called an autocorrelation problem (Imam Ghozali, 2011: 110). The following are the results of the autocorrelation test using the Breusch-Godfrey test.

Table 5.4 Auto Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.386482	Prob. F(2,36)	0.1064
Obs*R-squared	4.916603	Prob. Chi-Square(2)	0.0856

Based on the output table above using α=5%=0.05, the value of Prob. Chi-Squared for Obs*R-squared (0.0856) is greater than α (0.05) so it fails to reject H0, which means there is no autocorrelation.

Normality test

The Normality Test aims to test whether the regression model, confounding variables or residuals have a normal distribution or not. One of the test statistics used to test normality is the Jarque-Bera test as shown in the following table:
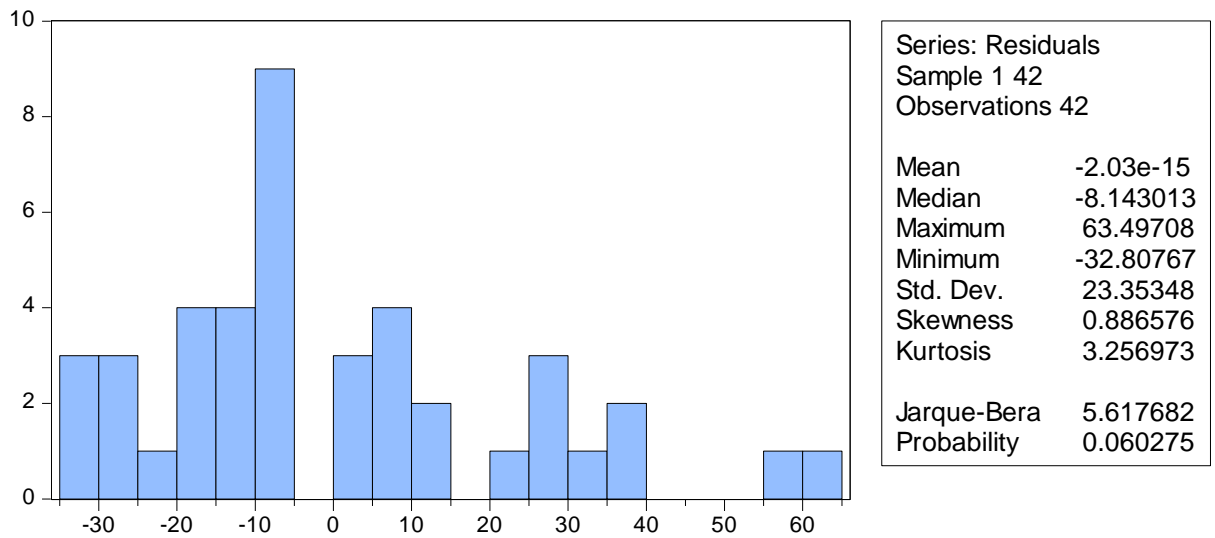

Figure 5.1 Normality Test

Based on the test results in the Probability value table for the Jarque-bera test of 0.060275 and the value is greater than $\alpha = 0.05$, it can be concluded that the data in this study is free from deviations from normality or in other words the data is normally distributed.

Model Selection Test

a) **Chow Test**

Hypothesis :

H_0 : Common Effect Model (CEM)

H_1 : Fixed Effect Model (FEM)

Criteria, Reject H_0 if Sig $< \alpha$

Table 5.5 Chow Test

Redundant Fixed Effects Tests
Pool: POOL
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.581609	(6,32)	0.0005
Cross-section Chi-square	30.078562	6	0.0000

Based on the table above, using α of 5% or 0.05, the Sig value (0.0000) has a smaller value than α (0.05) so that H0 is rejected, which means the Fixed Effect Model (FEM) will be used in panel data regression to model Cash Dividend data.

b) **Hausman Test**

Hypothesis:

H_0 : Random Effect Model (REM)

H_1 : Fixed Effect Model (FEM)

Criteria, reject H_0 if Sig $< \alpha$

Table 5.6 Hausman Test

Correlated Random Effects - Hausman Test
Pool: POOL
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.875162	3	0.0310

Based on the table above, using α of 5% or 0.05, the Sig value (0.0310) has a smaller value than α (0.05) so that H0 is rejected, which means the Fixed Effect Model (FEM) will be used in panel data regression to model Stock Return data.

5.14   Hypothesis Test

a)   Parsial Test (T-Test)

The partial test is used to determine whether there is an influence between the Independent variables on the Dependent variable partially (individually). The results of the partial test calculation are as follows:

Table 5.7 T Test Result

Dependent Variable: Y?
Method: Pooled Least Squares
Date: 07/11/19   Time: 21:20
Sample: 2013 2018
Included observations: 6
Cross-sections included: 7
Total pool (balanced) observations: 42

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.996971	9.511089	0.840805	0.4067
X1?	115.2777	47.83095	2.410108	0.0219
X2?	3.733423	9.079597	0.411188	0.6837
X3?	-13.93137	11.31792	-1.230913	0.2273

Based on data analysis, table 5.6 shows the results of testing between the dependent variable and the independent variable which was carried out using the t test, the results are as follows:

a) 1. At the 95% confidence level, the Cash Ratio has a significant effect on Cash Dividends. This can be seen from the significance value of 0.0219 which is smaller than the value α = 0.05.

b) 2. At the 95% confidence level, the Current Ratio has no significant effect on Cash Dividends. This can be seen from the significance value of 0.6837 which is greater than the value α = 0.05.

c) 3. At the 95% confidence level, Debt to Total Assets has no significant effect on Cash Dividends. This can be seen from the significance value of 0.2273 which is greater than the value α = 0.05.

F-Test

The results of the F test were carried out with the aim of testing whether all the independent variables, in this case the Cash Ratio, Current ratio and Debt to Total Assets (DTA) which were included in the model, had a joint influence on the dependent variable, namely Cash Dividends. The F test results are as follows:

Table 5.8 F Test Result

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.611047	Mean dependent var	20.97905
Adjusted R-squared	0.501654	S.D. dependent var	26.30097
S.E. of regression	18.56680	Akaike info criterion	8.884884
Sum squared resid	11031.23	Schwarz criterion	9.298615
Log likelihood	-176.5826	Hannan-Quinn criter.	9.036533
F-statistic	5.585804	Durbin-Watson stat	1.841120
Prob(F-statistic)	0.000124		

Based on table 5.7 above, it shows that the results of the F test with a significance of 0.000124 have a value smaller than α = 0.05, which means that the variables

Cash Ratio, Current ratio and Debt to Total Assets (DTA) together have a significant effect on the Cash Dividend variable. at the 95% confidence level.

c) Coefficient of Determination

Based on data analysis using the Eviews Version 9 program, it shows that the Adjusted R Square coefficient value is 0.501654. This means that 50.1654% of the Cash Dividend variable can be explained by the Cash Ratio, Current ratio and Debt to Total Asset (DTA) variables. Meanwhile, the rest is influenced by other variables that are not in this model.

5.1.5   Data Analysis

This analysis is used to determine the effect of the independent variables, namely Cash Ratio, Current ratio and Debt to Total Assets (DTA) on the dependent variable, namely Cash Dividends. Based on the classical assumption test, partial test (t statistical test) and simultaneous test (F statistical test), it can be concluded that at the 95% confidence level the independent variable that has a significant effect on Cash Dividends is the Current Ratio. Meanwhile, the other independent variables do not have a significant influence even if through a simultaneous test (F test) all the independent variables jointly influence the dependent variable. So the regression model formed is as follows

$$:y_{ti} = x_{ti}\beta + c_i + \varepsilon_{ti}$$

$$y_{ti} = 0{,}7996971 + 115.27777x_{t1} * + 3{,}733423x_{t2} - 13{,}93137x_{t3}$$

Where:

Y_{ti} is Cash Devident

X_{ti} is *Cash Ratio*

X_{ti} is *Current Ratio*

X_{ti} is *Debt to Total Asset (DTA)*

$$y_{ti} = 0{,}7996971 + 115.27777x_{t1} * + 3{,}733423x_{t2} - 13{,}93137x_{t3}$$

Based on the regression model formed, it can be interpreted that:

1. The Constant Coefficient is 0.7996971, meaning that under constant conditions, the Cash Dividend value is 0.7996971 assuming the independent variable is ceteris paribus.

2. The Cash Ratio regression coefficient is 115.27777, which means that for every one unit increase in the Cash Ratio, it is estimated that it can increase the Cash Dividend value by 115.27777 assuming other variables are considered constant.

3. The Current Ratio regression coefficient is 3.733423, which means that for every one unit increase in the Current Ratio, it is estimated that it can increase the Cash Dividend value by 3.733423 assuming other variables are considered constant.

4. The Debt to Total Asset (DTA) regression coefficient of -13.93137 means that for every one unit decrease in Debt to Total Assets (DTA), it is estimated that it can reduce the Cash Dividend value by 13.93137 assuming other variables are considered constant.

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