

## **The Influence of Return on Assets, Debt to Equity Ratio, and Current Ratio on the Dividend Payout Ratio in Food and Beverage Industry Sector Companies Listed on the IDX in 2014-2018**

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### **Abstract**

*This study aims to analyze the effect of Return on Assets, Debt to Equity Ratio, and Current Ratio on Divident Payout Ratio on food and beverage industry sector companies listed on the Indonesia Stock Exchange in 2014 until 2018. This research is an explanatory research that explains the effect the dependent variable on the independent variable using secondary data with a population of 14 companies and the sample taken as many as 6 companies that meet the specified criteria. The analytical method used is multiple linear regression. The results showed that at 95% confidence level of the three dependent variables studied were: Return on Assets, Debt to Equity Ratio and Current Ratio there was one variable that had a significant effect on the Divident Payout Ratio, namely Debt to Equity Ratio (DER). Meanwhile, if tested simultaneously, Return on Assets, Debt to Equity Ratio, and Current Ratio significantly influence the Divident Payout Ratio.*

**Keywords : Return on Asset, Debt to Equity Ratio, Current Ratio, and Divident Payout Ratio**

### **Introduction**

The food and beverage industry in Indonesia has an important role in economic growth in Indonesia. This sector is one of a number of sectors that has been made a priority by the government in encouraging industry as a driver of the national economy. Based on data from the Central Statistics Agency in 2018, the processing industry sector had the largest contribution to the formation of Gross Domestic Product (GDP), namely 19.86 percent.

The Central Statistics Agency noted that the main contribution to the processing industry was made by the food and beverage industry, namely 31.47 percent or 6.25 percent of GDP. The contribution of the food and beverage industry to GDP in 2018 reached 927,443.50 billion rupiah, a significant increase from the previous year's value of 834,425.10 billion rupiah.

The Ministry of Industry stated that the important role of the food and beverage industry can be seen from its consistent and significant contribution to GDP, non-oil and gas industries and increased investment realization. The trend in the number of food and beverage

companies in the large industrial category also shows an increase. In 2000, the number of companies in the food and beverage industry was only 4,661 businesses and increased to 6,875 businesses in 2015. The average growth in the number of businesses in the food and beverage industry in the micro and small business category in the period 2010 to 2015 reached 11.61 percent. The GDP value of the food and beverage industry shows an increasing trend from 2014 to 2018. In 2014, the value of the food industry reached 117 trillion rupiah and in 2018, the food and beverage industry sector increased and reached 165 trillion rupiah. In 2018, the Food and Beverage Industry grew 7.91%, exceeding national economic growth of 5.17%.

There are 14 food and beverage companies listed on the Indonesian Stock Exchange (BEI). These companies have their shares owned by investors and are traded on the IDX. By buying shares, investors hope to share company profits in the form of dividends and an increase in company value which is reflected in the increase in the company's share price.

In a company whose shares have been traded on the IDX (go public), financial

management in managing the company often faces three decisions, namely, investment decisions, funding decisions and dividend decisions (Sartono, 2014). Each decision has the same goal of gaining profits and increasing company value optimally. Dividends are an inseparable part of a company's funding and investment decisions, however dividends are often used as the final consideration after investment considerations and other financing considerations. If company management decides to pay dividends, the amount of retained earnings will decrease, and if management decides not to pay dividends, it will increase funding from internal funding sources. This is why dividend policy continues to be an issue or debate, especially when dividend policy is linked to the interests of shareholders and the interests of the company.

The dividend policy of paying dividends to shareholders causes the value of the company to increase, because with increasing dividend payments the prosperity of shareholders will also increase. Dividend payments depend on the policies of each company management. Management must pay attention to the interests of the company and the interests of shareholders, so that management can take optimal policies that can maximize company value. Brigham and Houston (2014), optimal dividend policy is a dividend policy that can create a balance between current dividends and future growth which can maximize the company's share price. Dividend payments have an impact on shareholders and the company that pays dividends. A company's dividend policy will involve two interested and conflicting parties, namely the interests of shareholders with their dividends, and the interests of the company with their retained earnings, in addition to the interests of bondholders which can influence the amount of cash dividends paid.

Agency problems influence the decision to increase shareholder welfare in the form of dividends, the reason is because management will try to improve its own welfare first. Investors can see how the company has developed from year to year through information on the company's financial performance and other relevant information, such as the country's economic conditions.

The dividend policy indicator is the dividend payout ratio, which is a ratio that measures the ratio of dividends per share to the company's net profit (Darmadji and Fakhruddin, 2012). Investors need to analyze the company's financial ratios when investing, in connection with the hope of obtaining high dividends. The analysis used to test the effect of dividends is fundamental analysis and technical analysis. Fundamental analysis is more appropriate to use because it is closely related to financial conditions, especially the real financial conditions of the company. The financial reports of companies that have gone public must be published to the general public through a performance summary published by the Indonesia Stock Exchange (IDX), so that investors can find out about the company's performance from year to year.

By looking at the company's financial ratios, investors can see the company's financial condition and the amount of dividends that can be generated. With the profitability ratio, you can see how effective the company's management is, as evidenced by the ability to create profits or the ability to create added economic value for the company, such as return on assets. Leverage ratio, to measure how far or large a company has been funded or financed by debt, one of which is the debt to equity ratio (Sartono, 2014). The use of debt as a source of funding will cause the company to have to bear a fixed burden in the form of interest and principal payments, so that the higher the debt to equity ratio, the smaller the dividends distributed to shareholders because the obligation to pay debt takes priority over dividend distribution.

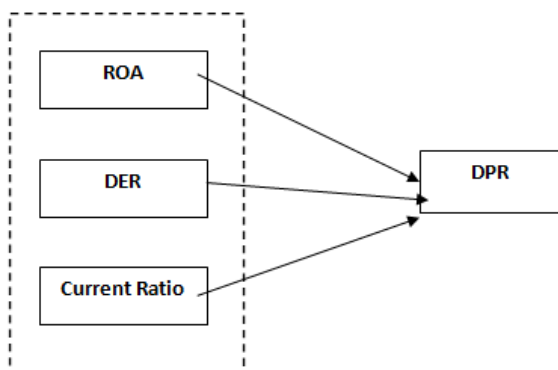
Riyanto (2013), liquidity ratios measure a company's ability to fulfill short-term obligations. This ratio must be considered before making a decision to determine the amount of dividends that will be paid to shareholders. The ratio used is the Current Ratio, the greater the level of liquidity, the greater the company's ability to fulfill short-term obligations. A company that has good liquidity will also have a good ability to pay dividends.

Based on the description above, this research is intended to measure the influence of Return on

Assets, Debt to Equity Ratio, and Current Ratio, on the Dividend Payout Ratio in companies in the food and beverage industry sector listed on the Indonesia Stock Exchange in 2014-2018.

**METHOD**

The type of research used in this research is verification research, namely research that aims to test the truth of a hypothesis which is carried out through data collection in the field. The research method used is explanatory research because it is explanatory, namely explaining the influence of the independent variable on the dependent variable



**Figure 1 Research Design**

The data used in this research is secondary data, namely the financial report data base available in the Jakarta Stock Exchange database which is available online on the site <http://www.idx.co.id>. The population in this study are all food and beverage index companies listed on the Indonesia Stock Exchange for the period 2013 to 2018 and publishing financial reports as of December 31 for the 2013 - 2018 financial year. The sampling technique from the population is to obtain a representative and representative sample, then drawing The sample is based on the purposive sampling method. Sugiyono (2009) states that "purposive sampling is a sampling technique with certain considerations".

The total population of food and beverage companies registered on the IDX is 14 companies. Of the 14 companies, 6 companies were selected that met the criteria

The data analysis method uses panel data regression analysis with the help of Eviews Version 9 software.

The research hypothesis proposed in this study is as follows:

H1: Return on Assets has a significant effect on the Dividend Payout Ratio.

H2: Debt to Equity Ratio has a significant effect on the Dividend Payout Ratio.

H3: Current Ratio has a significant effect on Dividend Payout Ratio.

H4: Return on Assets, Debt to Equity Ratio and Current ratio simultaneously have a significant effect on the Dividend Payout Ratio.

**E RESULTS AND DISCUSSION**

**DESCRIPTIVE AVERAGE VALUES FOR EACH VARIABLE IN THE SAMPLE COMPANIES ARE**  
**TABLE 1. AVERAGE VARIABLE VALUES 2014-2018**

Nama Perusahaan	Kode	Rasio			
		ROA	DER	CR	DPR
Indofood CBP Sukses Makmur Tbk	ICBP	4,41	0,44	89,21	38,71
Multi Bintang Indonesia Tbk	MLBI	16,87	1,10	30,26	71,79
Mayora Indah Tbk	MYOR	3,41	0,80	104,87	18,90
Nippon Indosari Corpindo Tbk	ROTI	0,98	0,55	99,77	9,00
Sekar Bumi Tbk	SKBM	0,61	0,57	65,77	2,99
Sekar Laut Tbk	SKLT	1,31	0,78	50,58	11,59

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 2. Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	60.28611	14.31986	4.209965	0.0004
X1	1.004094	0.702257	1.429810	0.1675
X2	-59.65118	23.09098	-2.583311	0.0173
X3	0.036869	0.058164	0.633885	0.5330

H1: At the 95% confidence level, the Return on Assets variable has no significant effect on the Dividend Payout Ratio of food and beverage companies. This can be seen from the significance value of 0.1675 which is greater than the value  $\alpha = 0.05$ .

H2: At the 95% confidence level, the Debt to Equity Ratio variable has a significant negative effect on the Dividend Payout Ratio of food and beverage companies. This can be seen from the significance value of 0.0173 which is smaller than the value  $\alpha = 0.05$ .

H3: At the 95% confidence level, the Current Ratio variable has no significant effect on the Dividend Payout Ratio of food and beverage companies. This can be seen from the significance value of 0.5330 which is greater than the value  $\alpha = 0.05$ .

The results of the F test were carried out with the aim of testing whether all the independent variables, in this case the Return on Assets, Debt to Equity Ratio and Current Ratio included in the model, have a joint influence on the dependent variable, namely the Dividend Payout Ratio.

The F test results are as follows:

Table 3. Simultaneous Test

Cross-section fixed (dummy variables)			
R-squared	0.595772	Mean dependent var	25
Adjusted R-squared	0.441781	S.D. dependent var	35
S.E. of regression	26.26859	Akaike info criterion	9.1
Sum squared resid	14490.81	Schwarz criterion	10
Log likelihood	-135.2692	Hannan-Quinn criter.	9.1
F-statistic	3.868865	Durbin-Watson stat	2.1
Prob(F-statistic)	0.006064		

Based on the table above, the Sig value is 0.006064, which when compared with the Sig value (0.006064) < (0.05) so it can be concluded that:

H5: at the 95% confidence level, the variables Return on Assets, Debt to Equity Ratio and Current Ratio together have a significant effect on the Dividend Payout Ratio variable. Based on data analysis using the Eviews Version 9 program, it shows that the Adjusted R Square coefficient value is 0.441781. This means that 44.1781% of the Dividend Payout Ratio variable can be explained by the Return On Assets, Debt to Equity Ratio and Current Ratio variables. Meanwhile, the rest is influenced by other variables that are not in this model. Based on the tests that have been carried out, the following regression equation model is obtained:

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

$$y_{ti} = 60,286 + 1,004094x_{t1} - 59,65118x_{t2} + 0.0036869x_{t3}$$

Where :

$y_{ti}$  : Divident Payout Ratio

$x_{t1}$  : Return on Assets

$x_{t2}$  : Debt to Equity Ratio

$x_{t3}$  : Current Ratio

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

1. The Constant Coefficient is 60.286, meaning that under constant conditions, the Dividend Payout Ratio value is 60.286 assuming the independent variable is ceteris paribus.
2. The Return on Assets regression coefficient is + 1.004094, which means that for every one unit increase in Return on Assets, it is estimated that it can increase the Dividend Payout Ratio value by 1.004094 assuming other variables are considered constant.
3. The Debt to Equity Ratio regression coefficient is - 59.65118, which means that for every one unit increase in the Debt to Equity Ratio, it is estimated that it can reduce the value of the Dividend Payout Ratio by 59.65118 assuming other variables are considered constant.
4. The Current Ratio regression coefficient of 0.0036869 means that for every one unit increase in the Current Ratio, it is estimated that it can increase the Dividend Payout Ratio value by 0.0036869 assuming other variables are considered constant.

## CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussions carried out, the conclusions obtained are as follows:

1. At the 95% confidence level, the Return on Assets variable has no significant effect on the Dividend Payout Ratio of food and beverage companies. This can be seen from the significance value of 0.1675 which is greater than the value  $\alpha = 0.05$ .
2. At the 95% confidence level, the Debt to Equity Ratio variable has a significant negative effect on the Dividend Payout Ratio of food and beverage companies. This can be seen from the significance value of 0.0173 which is smaller than the value  $\alpha = 0.05$ .
3. At the 95% confidence level, the Current Ratio variable has no significant effect on the Dividend Payout Ratio of food and beverage companies.

This can be seen from the significance value of 0.5330 which is greater than the value  $\alpha = 0.05$

4. Simultaneously there is a significant influence between Return on Assets, Debt to Equity Ratio and Current Ratio on the Dividend Payout Ratio in food and beverage companies listed on the IDX for the 2014-2018 period with a confidence level of 95 percent and a Sig value of 0.006064 which is more small than  $= 0.05$ .

Suggestions that can be given based on research are as follows:

1. For investors

a. Return on Assets does not have a significant effect on the Dividend Payout Ratio. This profitability ratio is not appropriate for investors to decide to invest in food and beverage companies on the IDX because it cannot measure dividends significantly

b. Current Ratio has no significant effect on Dividend Payout Ratio. This liquidity ratio is not appropriate for investors to decide to invest in food and beverage companies on the IDX because it cannot measure dividends significantly

c. Debt to Equity Ratio has a significant effect on the Dividend Payout Ratio, investors can use this type of leverage ratio to invest in food and beverage companies on the IDX if based on the dividends they want to obtain

2. For companies

It is hoped that companies can provide financial information that is objective, relevant and can be tested for its validity, which has been audited by a public accounting firm. In this case, it is done for investors to be able to see the development and condition of a company listed on the Indonesia Stock Exchange, so that they can

convince investors in making decisions about buying company shares.

3. For future researchers

a. It would be better to carry out further research regarding the factors that influence stock prices, then it is hoped that other financial ratios will be added as more varied independent variables, it is very possible for other financial ratios to be included in the research

b. Future research is expected to increase the research period and diversity of sectors studied in order to obtain more accurate results regarding stock prices.

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