Analysis Of Financial Variabel That Influence Dividend Payout

Reza Kurniawan
Widyatama University

ABSTRACT

Dividend policy was policy that deciding the income placement which is indicated by two different purposes, the stakeholders that want to get the dividend payment and the company that want the income to be reinvested. To determine the dividend policy, there many factors could interfere it, so the writer try to make a research on companies that listed in Indonesian Stock Exchange.The objective of this research is to get empirical evidence about the influence of financial variables on dividend payout. This research was descriptive research, which is research that have objective to describing about the company, especially about research factors and relationship with the variable. Independent variables are financial variables that consist of earning per share growth, past dividend, liquidity, debt ratio and return on equity.To analyze and process the collected data, the writer using a multiple regression method, multiple correlation, determination. With using t test and f test.This research conclude that simultaneously variable earning per share growth, past dividend, liquidity, debt ratio and return on equity have significant influence on dividend payout. Partially, only liquidity and past dividend have significant influence on dividend payout, while variable earning per share growth, debt ratio, and return on equity have influence on dividend payout insignificantly. Adjusted R2 about 0,885 indicate that independent variable can explain 88,5% variation of dependent variable.

Keywords : Financial, Dividend.

1. Introduction

Investments that are considered the most quickly provide the benefits of investments made through the capital market. Therefore, the stock market will perform the function of economics and finance. Capital markets to fund alternative collector from people other than the banking system. Financial instruments in the capital market's most widely used to withdraw funds from the community are common stock. In general, investors choose investments with the common stock, as hopes will get the return, in the form of capital gain / capital loss and dividends. Capital gains / loss is the difference of the selling price and buying price of shares, while the dividend is the company's remaining profits are distributed to the shareholders. Every investor preferences for different expected returns. The uncertainty of return to be gained is a risk that must be faced by the investors. Therefore, investors will be careful to decide what investments will be selected. If a company earns a profit, does not mean the company must pay dividends. Darmadji and Fakhruddin (2001:116), states that the new dividend can be received by investors if two conditions are met, the company earns a profit and Shareholders' General Meeting that authorities had decided to distribute dividends on those profits. According Sundjaya and Barlian, 2003: 353, "Payment of dividends is also subject to the policy of the company's board." There are rules that restrict the payment of such dividend.

The purpose of this study is to test the company's earnings per share growth, dividend payout the previous period, liquidity (cash ratio), debt to equity ratio and return on equity simultaneously and partially to the payment of dividends. Dividend is the value of the company's net income after tax reduced by retained earnings as a backup for the company. Dividends received at this time generally have a higher value than the capital gains that will be received in the future. Thus investors will not be available speculate preferred dividends than capital gains. According Darmadji and Fakhruddin (2001:127): "Dividends are the distribution company's net profits distributed to shareholders, the approval of the general meeting of shareholders."

2. Empirical Evidence on Return on equity

Return on equity measures the success of the company generate earnings that will be beneficial for the ordinary shareholders, after considering interest expense and preferred shareholders dividends. Hanafi (2006) states in his research that the return on equity as a measure of profitability, has a significant negative influence on dividend policy which is represented by the dividend payout ratio. When viewed from the overall framework of thought above, then the hypothesis can be suggested from this study are as follows.Hypothesis:

1. H01: B1 = 0 indicates variable X1 (growth in earnings per share) has no effect on variable Y (dividend payout ratio). Ha1: B1 ≠ 0 indicates variable X1 (growth in earnings per share) effect on Y (dividend payout ratio).
2. H02: B2 = 0 shows X2 variables (dividends last period) has no effect on variable Y (dividend payout ratio).
   Ha2: B2 X2 ≠ 0 indicates variable (dividend period ago) effect on Y (dividend payout ratio).
3. H03: B3 = 0 indicates the variable X3 (cash ratio) has no effect on variable Y (dividend payout ratio).
   Ha3: B3 X3 ≠ 0 indicates variable (cash ratio) influence to Y variable (dividend payout ratio).
4. H04: B4 = 0 indicates the variable X4 (debt to equity ratio) has no effect on variable Y (dividend payout ratio).
   Ha4: B4 X4 ≠ 0 indicates variable (debt to equity ratio) effect on Y (dividend payout ratio).
5. H05: B5 = 0 indicates variable X5 (a return on equity) had no effect on variable Y (dividend payout ratio).
   Ha5: B5 ≠ 0 indicates variable X5 (return on equity) effect on Y (dividend payout ratio).
6. H06: B1 = B2 = B3 = B4 = B5 Demonstrate financial variable that consists of growth in earnings per share (X1), the dividend period and (X2), cash ratio (X3), debt to equity ratio (X4), return on equity (X5) simultaneously did not affect the payment of dividend payout ratio.
   Ha6: Bi ≠ 0 indicates at least one of the financial variables which consists of growth in earnings per share (X1), the dividend period and (X2), cash ratio (X3), debt to equity ratio (X4), return on equity (X5) simultaneously influence the dividend payout ratio policy.

3. Analytical Framework and Research Methodology

3.1 Model Specification

In To test the analysis used, testing done by verikatif to calculate whether there is influence of financial variables are the growth of corporate earnings per share, dividend payout the previous period, the cash ratio, debt to equity ratio and return on equity on the dividend payment, dividend payout ratio. The draft of the analysis consisted of multiple linear regression analysis, multiple correlation analysis, determination coefficient analysis, testing hypotheses simultaneously (F test) and partial (t test).

3.1.1 Determinants of Financial Variabel

Multiple linear regression analysis is a statistical method commonly used to determine the form of the relationship between independent variables with dependent variables shown by the regression equation, where more than one variable independent. Linear multiple regression equations in general for the five independent variables according to Wahid Sulaiman (2004:80) is as follows:

$$Y = B0 + B1X1 + B2X2 + B3X3 + B4X4 + B5X5$$

3.1.2 Determinants of Dividend Payout

According to the statement of financial accounting standards (2004) number 2 paragraph 33: "Dividends paid may be classified as financing cash flow because it is the cost of financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities with a view to help users in assessing cash flow statement the company's ability to pay dividends from operating cash flow. "While in paragraph 57 also states that: "Cash flow from interest and dividends received and paid, each of which must be disclosed separately. Each should be classified consistently between periods as operating, investing or financing activities. " The amount of profit distributed to shareholders called the dividend payout. Ratio between dividend payout by companies profit called dividend payout ratio

$$Dividend\ Payout\ Ratio = \frac{Dividend\ Paid\ per\ Share}{Earning\ per\ Share}$$

Dividend Payout Ratio (DPR) this will ultimately determine the amount of revenue the company as a source of bias retained earnings. Parliament determined the company to pay dividends to shareholders every year which is determined by the size of the net profit after tax. Total dividends paid will affect stock prices or welfare sahm holders. Parliament is a function of assets, equity, and profits of a company. While the formula for calculating the growth in Earnings per Share (EPS) is:

$$\text{EPS } Growth = \frac{EPS_{year-t} - EPS_{year-t-1}}{EPS_{year-t-1}} \times 100\ \%$$

3.2 Data Description

This research is to use secondary data in the form of financial statements in detail, the necessary data sources are as follows:

1. The financial statements of companies listed in Indonesia Stock Exchange (ISE) in 2000-2007 and data about the company profile.
2. Data obtained from the research literature related to our research topic.

4. Empirical Results

Testing in this problem using a model of multiple linear regression analysis is an analysis to explain how the relationship between variables that comprises more than two variables. On this analysis will be described the results of regression equations to calculate the influence of corporate earnings per share growth, dividend payout the previous period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity on the dividend payment. The data used is a secondary data obtained from the Indonesian Stock Exchange from 2000 to 2007 period. Based on the data obtained is determined that the company's growth in earnings per share is the independent variable (X1), dividend payments prior periods represents the independent variable (X2), liquidity (cash ratio) is an independent variable (X3), debt ratio (debt to equity ratio) an independent variable (X4), equity returns are independent variables (X5), and payment of dividends is dependent variable (Y). Expected when the company's earnings per share growth, dividend payout the previous period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity is high, then also the higher dividend payment.

Table 1

Data Earnings Per Share Growth Company (X1),

Dividend Payment Period Previous (X2), Liquidity-cash ratio (X3), ratio of debt - debt to equity ratio (X4),

Rate of Return on Equity (X5), and Dividend Payments (Y)

No	Y	X_1	X_2	X_3	X_4	X_5
1	25.40	116.83	22	0.09	2.46	20.32
2	36.59	37.83	20	0.31	2.61	14.75
3	71.28	6.03	2861	0.25	1.28	37.40
4	39.41	-2.61	394	0.06	0.66	18.43
5	44.65	10.77	239	0.44	1.14	38.25
6	50.82	13.43	556	0.82	0.70	61.93
7	33.68	20.32	92	2.27	0.21	14.43
8	21.53	19.16	18	0.61	2.41	18.24

9	21.33	447.06	44	0.53	2.15	31.21
10	83.80	20.21	299	10.12	0.18	11.46
11	39.12	67.98	115	0.57	0.71	24.33
12	52.01	-2.64	71	1.00	0.58	20.66

Equations obtained from the calculation based on computer using SPSS 13:00, about the influence of corporate earnings per share growth, dividend payout the previous period, liquidity, debt ratio and return on equity to the payment of dividends obtained by multiple linear regression model as follows:

$$Y = 32.673 - 0.034\ X_1 + 0.012\ X_2 + 4.404\ X_3 - 2.788\ X_4 + 0.207\ X_5$$

a. Effect of growth in earnings per share for payment of dividends (Dividend Payout Ratio)
From the test results, it is known that the variable of earnings per share growth of no significant impact on dividend payout ratio. This can be explained as follows, investors generally like a stable dividend payment, because it can reflect the condition of a stable company, too. Stable means the amount of dividends per share paid each year is relatively fixed over a certain period even if income per share fluctuates annually. The Company will strive to provide stable dividends, though growth in corporate profits fluctuate. At the time of high corporate profits, the company will keep the excessive profits or use them to invest in low-risk field. At the time of declining corporate profits, the company will use the profits he kept for paying dividends, so the dividend can be maintained stability. If the high profit growth, companies will still pay dividends that is not too high to keep the amount of dividend can be maintained for the subsequent period, even though corporate profits decline.

b. Effect of prior period dividends toward payment of dividends (Dividend Payout Ratio)
Variable dividend of the previous period significantly influence the dividend payout ratio. Management companies generally do not like the drastic decline in dividend, because it would be a signal for investors to know the company's declining profits. As was explained that investors tend to not like the dividend decreases and likes a stable dividend, the company will try to maintain the amount of dividends declared from time to time. If corporate earnings the company reduced but did not reduce the dividend paid, then the market confidence is greater than if the company net dividend. Changes to the dividend will be made only if the company feels his condition is completely stable to maintain the dividend amount.

c. Effect of liquidity (cash ratio) against payment of dividends (Dividend Payout Ratio) The variables measured by cash liquidity ratio were tested on dividend payout ratio has a significant. These results can be explained as follows, a cash dividend cash outflow is more powerful then the company's liquidity position, means greater ability to pay dividen.Untuk make a payment of cash dividends, the company must prepare cash that is not small. If the company has high liquidity and cash are not prepared for the investment, the company will be able to use the cash to pay dividends, so not too much idle cash. Conversely, if companies do not have sufficient cash funds, then the company will have difficulty membayat dividends. This means that the liquidity of the company a positive influence on dividend payout ratio.

d. Effect of debt ratio (debt to equity ratio) against the payment of dividends (Dividend Payout Ratio)
Debt ratio does not significantly influence the dividend payout ratio. This can be explained as follows, a publicly listed company in general has gained the trust of the community, so that will tend mempuyai high ability to borrow, and cause no need to pay attention to the company's debt, if the company wants to make a payment of cash dividends. Payment of dividends may reduce the funds available in the company can cover the needs of those funds immediately. Given that access is available to obtain debt funds, management companies no longer need to worry so much influence that might arise from the payment of dividends.

e. Effect of a return on equity to pay dividends (Dividend Payout Ratio) From the test results, it is known that the rate of return on equity (ROE) did not significantly influence the dividend payout ratio. This result can be explained as follows, every investor would have wanted a decent rate of return on investment was doing. If the high returns generated, there is the prospect of big profits, that investor would prefer if the profits reinvested in the company rather than distributed as dividends. Similarly, in terms of companies, if companies feel there is a good investment opportunity, then the company will try to hold back their funds to invest rather than distribute as dividends.

f. Effect of growth in earnings per share the company, payment of dividend the previous period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity to pay dividends (Dividend Payout Ratio)

From the test results, it is known that the company's earnings per share growth, dividend payout the previous period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity of influence together to pay dividends (Dividend Payout Ratio). This can be explained as follows, the company earnings per share growth, dividend payout the previous period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity is an internal financial variables which are factors that could affect the company's management to establish a dividend policy.

5. Conclusions

Based on the description and analysis has been performed in this study, it could be concluded as follows:

1. Simultaneously, the variable EPS growth, dividend ago period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity significantly influences the cash dividend payout ratio (dividend payout ratio).
2. Partially, the variables ago period dividend and liquidity (cash ratio) significantly affect the dividend payout ratio, while EPS growth variable, debt ratio (debt to equity ratio), and a return on equity. Variable dividend ago period and liquidity (cash ratio) has a significant positive.
3. Variable liquidity (cash ratio) has a dominant influence. This is indicated by the value of the coefficient (b) the greatest, that is equal to 4.404.
4. Effect of EPS growth, dividend ago period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity (ROE) against payment of dividends (dividend payout ratio) is approximately 88.5% while the remainder, ie 11.5 % explained by other variables outside the equation. Correlation variables EPS growth, dividend ago period, liquidity (cash ratio), debt ratio (debt to equity ratio) and return on equity that affect the dividend payout ratio is quite strong.

References

[1] Amalia, Iklina, 2007, Influence of Company Financial Performance of Dividend Policy (Studies on the Manufacturing Business Survey of Registered and Active in the Jakarta Stock Exchange), University of Widyatama: Final Accounting.

[2] Darmadji, Tjiptono, and M. Hendy Fakhruddin, 2001, Capital Market in Indonesia: the approach Ask / answered, Issue 1, Jakarta: Salemba Four.

[3] Erawati, Ni Made Adi and Eka Ardhani Sisdyani, 2005, Influence of Variables, Financial Variables To Cash dividend on the Issuer, Issuer on the Jakarta Stock Exchange Year 1999-2000, Bulletin of Economic Studies, volume 10 number 1.

[4] Harahap, Sofyan Syafri, 2004, Critical Analysis of the Financial Statements, Matter 4, Jakarta: PT Raja Grafindo Persada.

[5] Hasyir, 2003, Social Responsibility Disclosure in Annual Report of the Public Company in Jakarta Stock Exchange, Padjadjaran University: Journal of Accounting and Finance.

[6] Hermawan, Dede, 2007, Analysis of Profit Rate of Dividend Policy (Studies on Industrial Company Survey of Registered and Active in the Jakarta Stock Exchange), University of Widyatama: Final Accounting.

[7] Indonesia Institute of Accountants, 2004, Statement of Financial Accounting Standards, London: Four Salemba.

[8] Mamduh M. Hanafi, 2005, Financial Statement Analysis, 2nd Edition, Yogyakarta: AMP-YKPN.

[9] Nazir, M, 2003, Research Methods, Matter 5, Jakarta: Ghalia Indonesia.

[10] Setyorini, Christina Tri, 2001, Intra-Industry Information Transfer: Dividend Initiation Announcement Effects Company By Reporter, Bandung, 30 to 31 August: National Accounting Symposium IV.

[11] Simamora, Bilson, 2005, Multivariate Analysis of Marketing, Jakarta: PT Gramedia Pustaka Utama.

[12] Sundjaja, Ridwan S.dan Barlian Inge, 2003, Financial Management One, 4th Edition, London: Literata Cross Media.

[13] Sugiyono, 2004, Business Research Methods, Matter 7, Bandung: CV Alfabeta. Suharyadi, Purwanto S. K., StatistikaUntuk Modern Economics & Finance, Book 2, Book Four Salemba.

[14] Sulaiman, Wahid, 2004, Regression Analysis using SPSS Sample Case and Problem Solving, Yogyakarta: Andi.

[15] Sutrisno, 2001, Analysis of Factors Affecting the dividend Payout Ratio in Public Companies in Indonesia, volume 2 number 1.

[16] Wibowo, Abubakar Arif, 2003, Introduction to Accounting II Ikhitisar Theory and Problems, London: Grasindo.

Reports / Documents:

... Indonesian Capital Market Directory, 2000, 11th Edition, London: Institute for Economic and Financial Research.

... Indonesian Capital Market Directory, 2003, 14th Edition, London: Institute for Economic and Financial Research.

... Indonesian Capital Market Directory, 2004, 15th Edition, London: Institute for Economic and Financial Research.

... Indonesian Capital Market Directory, 2007, 17th Edition, London: Institute for Economic and Financial Research.

Website:
www.idx.co.id