Case of Dividend Payout Ratio (DPR): Evidence on Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange

S. Surtikanti [1*], J. Octavia[2], I. Martina[3]

[1,2,3] Departement of Accounting, Universitas Komputer Indonesia
Jalan Dipatiukur No 112-116 Bandung, Indonesia

Email*: surtikanti@email.unikom.ac.id

Abstract. This research aims to determine the effect of Net Profit and Debt Equty Ratio on the Dividend Payout Ratio. This research was conducted on Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange.The research method used is descriptive analysis and verification analysis method with a population of 185 financial reports from 37 companies with sample selection using the Purposive Sampling method and the research sample obtained is 50 financial statements from 10 companies. The data analysis method used is multiple linear regression analysis, correlation coefficient analysis, coefficient of determination analysis, and hypothesis testing using t_{test}. The results showed that the Dividend Payout Ratio was significantly affected by Net Profit with a positive relationship, and significantly influenced by the Debt to Equity Ratio with a negative relationship. Partially, the Dividend Payout Ratio is more dominantly influenced by Net Profit compared to the Debt to Equity Ratio, it means that the greater the net profit obtained, the greater the dividend paid. The results of this research are expected to provide input for investors in analyzing the Dividend Payout Ratio.

1. Introduction

The main objective of an investor is to invest money in a company, i.e. to generate income or capital gains in the form of dividend income (dividend yield) or the difference between the sale price and purchase price of a stock (capital gain) [1]. Dividend policy tends to be one of the most stable and predictable elements by companies, and most companies start paying dividends after they reach the stage of business maturity and when there are no more profitable investment opportunities for the company [2]. The proportion of dividends paid to shareholders depends on the company's ability to generate profits and the form of dividend policy adopted by the company concerned [3]. The percentage of profits that will be paid to shareholders as cash dividends is called the Dividend Payout Ratio [4]. Investors usually in assessing the company's performance are more likely to see the profits earned by the company, because many think that profit is a value that can reflect the condition of the company [5]. However, a decrease in the amount of dividends paid is considered a symptom of a decrease in the company's health level [6]. For companies, dividend payments can be used to strengthen the company's position in seeking additional funds in the capital market [7]. 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 income [8].

Net Profit (net income or earnings) can be used as a measure of the company's performance during a certain period. Earning is a measure of how much the incoming assets (income and profits) exceed the outgoing assets (expenses and losses). Profit is a systematic report on the difference between the income obtained from the company's main business and the amount of operational costs

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and costs outside the company's main operations [9]. Net profit is the company's profit after taking into account all reported revenues and expenses during the accounting period [10]. Net income is calculated in units of rupiah per share using the earnings per share formula, namely earnings after tax divided by the number of shares outstanding [11]. One Factor affecting the size of the net income available to shareholders including dividends received is the level of company debt, because the obligation to pay debts takes precedence over dividend distribution [12]. The Debt to Equity Ratio (DER) measures how far the company is financed by debt, where the higher the value of this ratio describes the symptoms that are not good for the company [13].

The larger the DER (Debt Equity Ratio) indicates that the business's capital structure utilizes debts relative to capital. When a company chooses to use debt as capital for its investment, the debt must be considered because the use of debt that is too high will cause a decrease in dividends so that most of the profits are allocated as debt repayment reserves. Conversely, at a low level of debt use, the company allocates high dividends so that most of the profits are used for the welfare of shareholders. In addition, high debt can also bring the company closer to the risk of bankruptcy [14]. Currently, several studies related to this research have been carried out. However, this study does not specifically discuss the effects of Net Profit and Debt Equity Ratio on the Dividend Payout Ratio.

Previous research that has been done is known that Earning has a positive effect on the Dividend Payout Ratio. [15][16], but there are also research results [17][18] which state that net income has no effect on the Dividend Payout Ratio. Another study which states that the Debt to Equity Ratio has a negative effect on the Dividend Payout Ratio. [19][20] However, there are also research results [21] which state that the Debt to Equity Ratio has a positive effect on the Dividend Payout Ratio.

Based on the description of the background of the problem above, the problem to be discussed in the study is formulated as follows: Does Net Profit affect the Dividend Payout Ratio? And does the Debt to Equity Ratio affect the Dividend Payout Ratio. Related to the above problems, the purpose of this study is as follows: to find out how much the Dividend Payout Ratio (DPR) is influenced by Net Profits in Manufacturing Companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange and how big the Dividend Payout Ratio (DPR) is influenced by the Debt Equity Ratio (DER) in Manufacturing Companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange.

2. Method

The analysis of this research uses descriptive and verification methods which aim to describe, interpret the condition of the variable relationship and test the truth of the hypothesis. In this case, it is the effect of Net Profit (variable X_1) and Debt Equity Ratio (variable X_2) with Dividend Payout Ratio (variable Y). The sample is part of the number and characteristics possessed by the population. The population in this study were 185 financial statements for 5 periods from 37 manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange. According [22] Purpossive Sampling is a technique for determining sample data with certain considerations. The reason for selecting the sample using the purposive sampling technique is because not all samples have criteria that are in accordance with what the authors specify. The number used in this study is 50 financial statements with predetermined criteria.

3. Results and discussion

Multiple linear regression analysis predicts an outcome resulting from two or more independent variables in a linear equation. The results of the multiple linear regression equation test using SPSS statistical tools can be seen in Table 1 below.

Table 1 Multiple Linear Regression

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.390	.043		9.179	.000
NET PROFIT	7.684E-8	.000	.618	6.367	.000
DER	-.136	.034	-.393	-4.052	.000

a. Dependent Variable: DPR

Based on the results of the calculations in table 1 above, the form of the multiple linear regression equation is obtained as follows:

$$Y = 0.390 + 7.685\,X_1 - 0.136\,X_2$$

The values stated in the above equation can be interpreted as follows:

0.390, meaning: If the Dividend Payout Ratio variable is not influenced by the two independent variables, namely Net Profit and Debt to Equity Ratio or both independent variables (Constant Value) then the average Dividend Payout Ratio is predicted to be 0.390.

7,685 X1, meaning: The regression coefficient for Net Profit is 7,685 X1 and is positive, meaning that every 1 unit increase in Net Profit and Debt to Equity Ratio has a constant value, it is predicted to be able to increase the Dividend Payout Ratio in consumer goods industrial sector companies by 7,685.

-0.136 X2, meaning: The regression coefficient for the Debt to Equity Ratio is -0.136 X2 and is negative, meaning that every 1 unit increase in the Debt to Equity Ratio and Net Profit is constant, it is predicted to reduce the Dividend Payout Ratio in the consumer goods industrial sector company by -0.136.

Correlation analysis works to find the strength of the relationship between the independent variable (X) and the related variable (Y). As for giving an interpretation of the correlation coefficient obtained. The following are the results of the correlation of each variable in this study.

Table 2 Dividend Payout Ratio (DPR) Correlation Coefficient with Net Profit

Correlations

Control Variables			NET PROFIT	DPR
DER	NP	Correlation	1.000	.681
		Significance (2-tailed)	.	.000
		Df	0	47
	DPR	Correlation	.681	1.000
		Significance (2-tailed)	.000	.
		df	47	0

Based on table 2 the output of the data processing above, the correlation coefficient value for the Dividend Payout Ratio (DPR) with a net profit of 0.681 is obtained, which results are included in the

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interval score between 0.60 - 0.799. This shows that there is a strong relationship between the Dividend Payout Ratio (DPR) and Net Profit.

Table 3 Dividend Payout Ratio (DPR) Correlation Coefficient with Debt to Equity Ratio (DER)

Correlations

Control Variables			DER	DPR
NET PROFIT	DER	Correlation	1.000	-.509
		Significance (2-tailed)	.	.000
		df	0	47
	DPR	Correlation	-.509	1.000
		Significance (2-tailed)	.000	.
		df	47	0

Based on table 3 of the output results from the above data processing, the correlation coefficient value for the Dividend Payout Ratio (DPR) with a Debt to Equity Ratio (DER) of -0.509 is obtained, which results are included in the interval score between 0.40 - 0.599. This shows that there is a fairly strong relationship between the Dividend Payout Ratio (DPR) and the Debt to Equity Ratio (DER).

Coefficient of Determination Analysis is used to see how much the independent variable (X) affects the dependent variable (Y) which is expressed as a The following are the results of the determination in this study.

Table 4 Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747[a]	.559	.540	.1820835

a. Predictors: (Constant), DER, LABA_BERSIH

b. Dependent Variable: DPR

The calculation result of table 4 means that the Dividend Payout Ratio (DPR) is influenced by Net Profit and Debt to Equity Ratio (DER) of 0.559 or 55.9%. While the remaining 44.1% Dividend Payout Ratio (DPR) can be explained by other variables not examined by the author, such as ROA, CR, Size, Debt to Total Assets, and Growth.

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Table 5
t_{test} hypothesis, Dividend Payout Ratio is influenced by Net Profit

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.390	.043		9.179	.000
	Net Profit	7.684E-8	.000	.618	6.367	.000
	DER	-.136	.034	-.393	-4.052	.000

a. Dependent Variable: DPR

Based on table 5 above, it can be seen that the tcount value for the Net Profit variable is 6,367. This value will be compared with the ttable value in the t distribution table. With =0.05, df=n-k-1=50-2-1=47, the ttable value is ± 2.011. It is known that tcount for X1 is 6,367 > t_{table} value 2,011, then H_0 is rejected, meaning that the Dividend Payout Ratio (DPR) is significantly affected by the Net Profit variable. This research is in accordance with the theory put forward by Agus Sartono (2014: 73), the size of the dividend is very dependent on the size of the profits earned and the proportion of profits to be distributed in the form of dividends or dividend payout ratios. Several studies have been conducted and yielded the same results. Research by Irawan and Nurdhiana (2011) concludes that the net profit obtained by the company has a positive and significant effect on dividend policy. M. Ramli and M. Arfan (2011) also stated that net income has a positive effect on dividends, this means that companies that earn large net profits will tend to give high dividends. According to Emmi Suryani, et al. (2012) stated that generally the amount of dividends distributed to shareholders is based on the amount of profit, where the company will increase dividends if there is an increase in profits. Sutrisno (2009:269) also states the same opinion that the greater the net profit obtained, the greater the dividend paid, and vice versa if the small profit the dividend paid is also small.

Table 6
t_{test} hypothesis, Dividend Payout Ratio (DPR) is influenced Debt to Equity Ratio (DER)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.390	.043		9.179	.000
	Net Profit	7.684E-8	.000	.618	6.367	.000
	DER	-.136	.034	-.393	-4.052	.000

a. Dependent Variable: DPR

Based on table 6 above, it can be seen that the tcount value for the Debt to Equity Ratio (DER) variable is -4.052. This value will be compared with the t_{table} value in the t distribution table. With =0.05, df=n-k-1=50-2-1=47, the t_{table} value is ± 2.011. It is known that tcount for X_2 is -4.052 < -t_{table}

value -2.011, then H0 is rejected, meaning that the Dividend Payout Ratio (DPR) is significantly affected by the Debt to Equity Ratio (DER) variable. This research is in accordance with the theory put forward by Agus Sartono (2014: 66), Debt to Equity Ratio (DER) describes the company's ability to fulfill all its obligations, therefore the higher the DER, the less the company's ability to pay dividends. Previous research conducted by Fatimah (2012) stated that the Debt to Equity Ratio (DER) has a negative and significant effect on the Dividend Payout Ratio (DPR), that the higher the DER value, the lower the DPR value. This is in line with Febryanno's research (2011) which states that the Debt to Equity Ratio (DER) variable shows a negative effect on the Dividend Payout Ratio (DPR), which means that the higher this ratio, the lower the possibility for companies to pay dividends to their shareholders.

4. Conclusion

The Dividend Payout Ratio (DPR) is significantly influenced by Net Profit in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2011-2015 with the magnitude of the effect being categorized as strong and has a positive relationship. This shows that when the company's net profit increases, the company's Dividend Payout Ratio (DPR) will also increase. The Dividend Payout Ratio (DPR) is significantly influenced by the Debt to Equity Ratio (DER) in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2011-2015 period with the magnitude of the effect being categorized as quite strong and has a negative relationship. This means that if the company's Dividend Payout Ratio (DPR) increases, the company's Debt to Equity Ratio (DER) decreases, and vice versa.

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