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Earning Effects Per Share, Current Ratio, Total Asset Turnover And Debit Ratio On Dividence In Industrial Company Numbered On The Indonesia Stock Exchange

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Abstrak: Dividend policy is important to the company because it involves the proper allocation of profits so that the company's growth and the welfare of its shareholders can be guaranteed. Dividend policy is influenced by two groups of factors: financial and non-financial. This study focuses on the discussion of financial factors measured by the financial ratio as it can provide an overview of the performance of the company. The aim of the study is to know the influence of the financial factors measured by the economic ratio both simultaneously and partially and the financial ratios that have a dominant influence on the dividend policy measurable by the *Dividen Payout Ratio* (DPR). There are four financial ratios used as independent variables in this study: *Earning Per Share* (EPS), *Current Ratio*(CR), *Total Assets Turnover* (TATO), and *Debt Ratio*. (DR). The analytical tool used in this study is multiple linear regression analysis. From the regression analyses it is known that the four financial ratios simultaneously have an insignificant influence on the *Dividen Payout Ratio* (DPR), whereas partially, the variables that have a insignificant influence upon the *Divide Payouts Ratio* are *Earning Per Share* (EPS), *Current Ratio*(CR), *Total Assets Turnover* (TATO), and *Debt Ratio* (DR). The study yielded a square R of 25.8 percent which means that the variation in the value of the *Dividence Payout Ratio* that can be explained by regression equation is only 25.8 per cent, while the rest, that is, 74.2 per cent is described by other variables outside the model equation. It shows that the financial ratio is not the only information that can be used as a consideration in setting a company's dividend policy.

Keywords: *Dividen Payout Ratio* (DPR), *Earning Per Share* (EPS), *Current Ratio* (CR), *Total Assets Turnover* (TATO), dan *Debt Ratio* (DR)

INTRODUCTION

In an era of globalization, competition in the business world will become more stringent. For Go Public companies, it doesn't just happen in one industry sector, it also happens across industries. It's seen in the LQ45 index that today's large stock trading volumes are not just dominated by manufacturing companies alone. Despite this, the manufacturing industry sector remains in demand by investors because of its existence in the business world in Indonesia. Under such conditions, every company is required to be able to operate



with a sufficiently high level of efficiency to retain an advantage and competitiveness in an effort to generate as optimum net profit as possible.

The company establishes a policy of profitability to follow-up earnings that can be allocated to two components namely dividends and retained profits. A dividend is a portion of the profit available to ordinary shareholders in the form of cash.

A dividend policy is a decision made by a company primarily to determine the amount of profit distributed in the form of dividends. Dividend policy is important to the company. This is because this financial policy influences the attitude or reaction of investors which means that dividend cuts can be viewed negatively by investors, because such cuts are often associated with financial difficulties faced by companies. In addition, this financial policy has an impact on the funding program and the capital budget of the company that relates to the sources of financing (financing) the company. Dividend policy is an important thing, because it can affect the company's value in the future. Increasing the value of the company is the company's primary objective. Greater dividend payments tend to raise the price of the stock which means increasing the value of the company, but increasing dividend payment will result in less and less remaining funds available for investment and this will lower the rate of growth of the firm which will eventually lower the share price. Based on that, it appears that the dividend policy produces two contradictory effects.

According to Warsono (2003:273), the dividend policy involves two opposing parties, namely the interests of the shareholders with their dividends and the interest of the company with its balances.

Dividen Payout Ratio is an indicator of dividend policy that is more commonly used by investors to determine the return on their investments and its simpler use compared to Dividen Yield. Generally, the setting of dividends policy is influenced by factors that are distinguished in two groups: financial factors that include growth prospects, capital costs, profitability, corporate financing needs, liquidity, borrowing ability, debt repayment needs, dividend stability, as well as the rate of expansion of assets and non-financial factors which include tax regulations, restrictions on debt agreements, access to capital markets, control of companies, shareholders' position as taxpayers.

This research will address financial factors measured using elements of corporate financial performance. The financial performance of a company is able to provide an overview to both management and investors of the growth and development of the company as well as the financial condition of the firm in a given period. The financial ratio is used as a research variable because the financial ratios are one of the necessary analytical tools to measure the conditions and efficiency of the company's operations in achieving the company's goal of net profit. A financial ratio is a comparison of the financial statements of a given period.

LITERATURE THEORY AND DEVELOPMENT OF HYPOTHESIS

According to Gitosudarmo and Basri?(1995: 237), dividend is the dividend of profits earned by the issuer company. Dividends are decided in the RUPS (General Meeting of Shareholders) to determine the size of the share of profit to be distributed and to be held as retained earnings. According to Henderson et.al. (1984: 376) "A dividend is a periodic payment made to stakeholders to compensate them for the use of and risk to their investment funds".

According to Baker (1987: 347) "A dividend is a distribution of earnings to shareholders, generally paid in the form of cash or stock". Dividends are the distribution of profits to shareholders, generally paid in the form of cash or shares.

According to Baridwan (2000:434), a dividend is a distribution to shareholders equal to the number of sheets held. Dyekman, et. al. (2001: 439) explained that dividends are the distribution of profits to shareholders in the form of assets or shares of the issuing company.

Based on these opinions, it can be concluded that dividends are the share of profits generated by the company, whether from the current period's profits or the profits of previous periods distributed to shareholders as a result of the investment.

Based on the results of the research, the hypothesis used in the analysis of double linear regression can be formulated as follows: H₀: The financial ratio of Earning Per Share, Current Ratio, Total Asset Turn Over, and Debt Ratio simultaneously and partially does not have a significant influence on the Dividend Payout Ratio. H_a: It is assumed that the financial ratios such as Earning per Share, current ratio, total asset turn over, and debt ratio simultaneously or partially have significant influences on the dividend payout ratio.

METHODE

This study is an Explanatory Research which explains that the financial ratio of *Earning Per Share, Current Ratio, Total Asset Turn Over, and Debt Ratio* has an influence on the *Dividend Payout Ratio*.

The nature of this research is replication, which means that this research develops previous research on the same topic. The development being done is the addition of variables that were not used in previous research and the research was conducted in different periods. The research was conducted over a three-year period, from 2005 to 2007.

The population in this study is Go Public companies listed on the Indonesia Stock Exchange based on the classification of the Indonesian Capital Market Directory (ICMD). Consideration of the selection of the population of research as companies - companies in the manufacturing industry group listed in the Indonesia stock exchange (BEI) is as follows:

1. The number of manufacturing companies registered in Indonesia stock exchange (BEI) until 2007 was 156 companies.
2. The manufacturing sector is still in great interest of investors because the prospects of manufacturer industry in the future are still quite good.

Sampling with purposive sampling techniques is based on the following criteria:

1. The financial ratio is obtained from financial data derived from the financial statements published by the company as at 31 December.
2. The company that is the sample of the research generates profits or profits in succession during the period of the study.
3. The company which is the study sample distributes cash dividends to the ordinary shareholders.

The variables of this study consist of one **dependent variable (Y)** and four **independent variables (X)**, which are as follows:

1. **Depending variable(Y)** The dependant variable used in this study is a dividend policy measured by the Dividend Payout Ratio (DPR).



2. **Independent Variable(X)** The independent variable in this research is a financial ratio which is:

X_1 : *Earning Per Share* (EPS)

X_2 : *Current Ratio* (CR)

X_3 : *Total Asset Turn Over* (TATO)

X_4 : *Debt Ratio* (DR)

The method of analysis used in this study is the method of quantitative analysis, i.e. using the Multiple Linier Regression Model. Generally speaking, the regression equation forms obtained using the double linear regression analysis are as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + \dots + b_k X_k + e$$

(Source : Sudarmanto, Analisis Regresi Linier Berganda with SPSS, 2005: 160)

The mathematical equation formula of the double linear regression analysis used in this study is as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + e$$

Description:

Y = *Dividen Payout Ratio*

a = Konstanta atau intersep

X_1 = *Earning Per Share*

X_2 = *Current Ratio*

X_3 = *Total Asset Turn Over*

X_4 = *Debt Ratio*

e = Interference error

$b_1 - b_4$ = Coefisien Regresion

Statistical measurement of samples is useful to facilitate observation. Through the calculation of the values of the central tendency can be obtained about the sample in a large line so that it can approach the truth of the population. The statistical measurement of the sample in this study was done using the *Statistical Package for Social Science* computer program. (SPSS). In order to give a representative result (BLUE – Best, Linier, Unbiased, and Estimation), regression must meet the classic assumption test that includes:

1. Uji Normalitas

A normality test is performed to determine whether the OLS regression residual has a normal distribution. To test the normality is used the Kolmogorov Smirnov test (Santoso, 2004: 127). A significant Z-score of more than 5% of Kolmogoroiv Smirnova explains that OLS' regression residue is considered to have a normal Distribution, and vice versa.



2. Uji Multikolonieritas

Multicolonity test to find out if there is a perfect inter-correlation between several independent variables used in the regression model (Ghozali, 2002: 57). (Non-Multikolonieritas). Multicolority is detected based on the *Value Inflation Factor* (VIF) score. A VIF score less than 10 explains that an independent variable is considered not to have a serious multicolonity, and vice versa.

3. Uji Auto Korelasi

Autocorrelation is the existence of a correlation between the variable itself, at different observations of different times or different individuals. To determine whether there is an autocorrelation, use the Durbin-Watson test that can be seen from the results of a double linear regression test.

4. Uji Heteroskedastisitas

Heteroskedastisity is a condition in which each e has an unequal variance. often cross section data contains a situation of heterosexuality because this data aggregates data that represents different sizes (kecil, sedang, besar). A way to detect the presence of heterocadastasis among others by using the Glejser test that proposes to segregate absolute residual values against independent variables (Gujarat dan Ghazali, 2005: 108).

5. Uji F-Statistik

The F test is used to test the influence of all independent variables together on dependent variables. The value of F can be searched with the following formula:

$$F_{hitung} = [R^2 : (k-1)] : [(1-R^2) - (n-k-1)]$$

(Source : Gujarat, BasicEkonometrika, 1997: 120)

Description :

R^2 = koefisien determinasi

k = number of free variables

n = number of sample members

The criteria for decision-making with a significant scale of $\alpha = 5\%$ are as follows:

If $F_{hitung} > F_{tabel}$ so H_0 reject and H_a accept

(Source : Gujarati, BasicEkonometrika, 1997: 119)

6. Uji-t Statistik

This test is used to determine the significance of the coefficient of the regression equation. Count statistical values can be searched using the formula :

$T_{hitung} = \text{koefisien regresi (b) : standar deviasi (SD)}$

(Source : Gujarati, BasicEkonometrika, 1997: 119)

With a significant scale of $\alpha = 5\%$ on the value of the table, then the decision-making criteria are as follows:

If $t_{hitung} > t_{tabel}$ so H_0 reject dan H_a accept.



If $t_{hitung} < t_{tabel}$ so H_0 reject dan H_a accept

(Source : Gujarati, BasicEkonometrika, 1997: 116)

Or based on the significance of t:

If signifikansi t hitung $> 0,05$, so H_0 accept.

If signifikansi t hitung $< 0,05$, so H_0 reject.

(Source : Sudarmanto, Analisis Regresi Linier Ganda with SPSS, 2005: 212)

RESULT AND DESCRIPTION

From the population of 156 companies, using Purposive Sampling technique, 15 manufacturing companies were obtained that met the criteria as a sample of research with the criterion of companies with the highest rate of earning profits in 2005 to 2007 that operate in the fields of food and baverage, tobacco, textile, chemical and allied product, plastics and glass product, metal and ally product, electronic and office equipment, and automotive and allies products listed on the Indonesian Stock Exchange (BEI) for the period of 2005 to 2007. As shown in table 1.1 below:

Tabel 1.1
Research sample list

No.	KODE	NAMA PERUSAHAAN
1	FAST	PT. Fastfood Indonesia, Tbk
2	MYR	PT. Mayora Indah, Tbk
3	MBI	PT. Multi Bintang Indonesia, Tbk
4	GDM	PT. Gudang Garam, Tbk
5	BATA	PT. Sepatu Bata, Tbk
6	CLR	PT. Colorpak Indonesia, Tbk
7	LTLS	PT. Lautan Luas, Tbk
8	CTB	PT. Citra Tubindo, Tbk
9	UNVR	PT. Unilever Indonesia, Tbk
10	LION	PT. Lion Metal Works, Tbk
11	ASTG	PT. Astra Graphia, Tbk
12	MTRS	PT. Metrodata Electronics, Tbk
13	LNMR	PT. Lionmesh Prima, Tbk
14	HXND	PT. Hexindo Adiperkasa, Tbk
15	TURI	PT. Tunas Ridean, Tbk



1. Influence *Earning Per Share* About *Dividend Payout Ratio*

Net *earnings per share* (EPS) measures a company's ability to print profits based on shares it owns. The Earning Per Share figure is often used in publications about the performance of companies that sell their shares to the general public. The calculation of *Earning Per Share* has several purposes, namely to see the company's progress and operations, determine the stock market price, and determine the size of the dividend to be distributed. On the variable *Earning Per Share* (X1) obtained the result that this variable has no significant influence on the *Dividend Payout Ratio*, shown by t_{hitung} value $(0,476) < t_{table} (2,22814)$.

This is possible because not always the company that earns profits will decide to make dividends to shareholders. One of the reasons is the concept of profit itself. The return does not describe the cash flow received by the company. Whereas the dividend of the people was paid in cash. (cash dividend). This research can conclude that the *Earning Per Share* variable has no significant influence on the *Dividend Payout Ratio* variable. This is due to the conditions of the global economic crisis and the crisis of people's housing credit (KPR) experienced by the debtor state of the United States.

2. Influence *Current Ratio* About *Dividend Payout Ratio*

Current Ratio is one of the liquidity ratios that shows the extent to which the assets cover liabilities smoothly. (Harahap, 1998: 301). On the variable *Current Ratio* (X2) obtained the result that this variable has no significant influence on the *Dividend Payout Ratio*, shown by t_{hitung} value $(-1,504) > t_{table} (-2,22814)$.

The higher the value of the *Current Ratio*, then the company is not necessarily able to meet the demand for cash because the credit of the business is of low quality or the supplies can only be sold when at a discount price. While dividends are generally paid using cash dividends, this result is also reinforced by the theory presented by Brigham and Houston (2001: 90) that cash dividend can be distributed only with cash so that a lack of cash can limit the distribution of dividends. This research can conclude that the *Current Ratio* variable has an insignificant influence on the *Dividend Payout Ratio*. This is due to the conditions of the global economic crisis and the crisis of people's housing credit (KPR) experienced by the debtor state of the United States.

3. Influence *Total Asset Turn Over* About *Dividend Payout Ratio*

This ratio shows the rate at which the entire asset of the company becomes cash or mortgage. On the *Total Asset Turn Over variable* (X3) obtained the result that this variable has no significant influence on the *Dividend Payout Ratio*, shown by t_{hitung} value $(-0,905) > t_{table} (-2,22814)$. The higher the value of the *Total Asset Turn Over*, the more effective the company is in empowering all of its assets. The company needs funds to buy assets. To meet the expansion needs of assets, companies tend to use internal financing derived from retained earnings.



These results also support the theory put forward by Weston and Copeland (1997: 128), that optimum use of assets would provide an incentive for companies to increase the rate of asset expansion in the future so that companies would tend to retain profits rather than pay dividends. In this study it can be concluded that the variable has an insignificant influence on the *Dividend Payout Ratio* variable. This is due to the conditions of the global economic crisis and the crisis of people's housing credit (KPR) experienced by the debtor state of the United States.

4. Influence *Debt Ratio* About *Dividend Payout Ratio*

Debt Ratio indicates the size of the total debt that can be secured with total assets. In other words, *Debt ratio* can indicate the amount of financing through debt used by the company to finance the total asset. On the *debt rasion* variable (X4) the result is obtained that this variable has no significant influence on the Debt ratio, shown by the t_{hitung} value $(-1,042) > t_{table} (-2,22814)$. When reviewed further, the *Debt Ratio* only shows the size of the financing through debt used by the company to finance total assets. This ratio does not reflect the company's ability to meet its short-term obligations. While the payment of dividends is included in the debt smooth so the *Debt Ratio* does not describe the company's ability to pay dividends to shareholders. In this study it can be concluded that the variable Debt Ratio has an insignificant influence on the Variable *Dividend Payout Ratio*. This is due to the conditions of the global economic crisis and the crisis of people's housing credit (KPR) experienced by the debtor state of the United States.

CUNCLUSION

Based on the analysis of the data and the interpretation of this study, it can be concluded that:

1. Earning Per Share, Current Ratio, Total Asset Turn Over, and Debt Ratio simultaneously have no significant influence on the Dividend Payout Ratio. Based on the results of the hypothesis testing using the t-test, it can be concluded that partially no variable either the Earning per Share, the current ratio, the total asset turn over, and the debt ratio have a significant effect on the dividend payout ratio.
2. No variable has a dominant influence on the Dividend Payout Ratio. This is due to the conditions of the global economic crisis and the crisis of people's housing credit (KPR) experienced by the debtor state of the United States.

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