

Factors Affecting Dividend Policies in Property and Real Estate Sector Companies

Ari Sudrajat*, Derly Ronauli, Evi Octavia

Widyatama University, Indonesia

*Ari.sudrajat@widyatama.ac.id

ABSTRACT

Dividend policy can be affected by several factors including ROA, CAR, DER, TATO. This study took a sample of 24 companies in the property and real estate sector. The sample selection technique used purposive sampling method. The method of analysis uses multiple linear regression at a significance level of 5%. The results showed that partially the return on assets, cash ratio, and total asset turnover had a positive effect on dividend policy. Meanwhile, DER has no effect on dividend policy. Simultaneously, ROA, CAR, DER, and TATO have an effect on dividend policy.

Keywords

ROA, CAR, DER, TATO, dividend policy

Article Received: 18 October 2020, Revised: 3 November 2020, Accepted: 24 December 2020

Introduction

Issuers, especially in the property and real estate sectors, in developing their business require a large amount of funding. One way to obtain funding is through the capital market, which is a means for people to invest in several financial instruments to place their funds (Guinan, 2010).

Investors have hopes of obtaining capital gains and dividends from their investments, especially dividend distribution which is one of the causes of motivation to invest their funds (Lanawati & Amilin, 2015).

An important factor in determining the amount of dividend distribution is the profit generated by the company, theoretically companies that have high profits will pay large dividends (Noviyanto, 2018).

Widoatmodjo (2015) states that if the issuing company or issuer is able to generate high profits, it will allow the company to set aside that profit as a high dividend. The dividend policy is choice whether the benefits earned by the company will be dispersed to shareholders as profits, or will be held within the shape of held profit for future venture financing (Andriyani, 2017).

Dividend policy estimation is illustrated in the Dividend Payout Ratio (DPR), which is the

percentage of benefit disseminated within the frame of cash dividends, the greater the dividend portion, the greater the DPR level, conversely if the portion of retained earnings is greater, the DPR will be lower (Madyoningrum, 2019). Companies that have stable profits will provide a dividend payout ratio (DPR) than companies that have fluctuating profits. For companies whose income tends to be stable, future cash flow can be estimated accurately and the company will be able to pay high dividends, the opposite happens for companies that have unstable income and make future company profits unstable. and will limit the company's ability to pay dividends in high amounts (Mulyawan, 2015).

Hery (2016) states that Return On Resource is utilized to degree how much net benefit is created from each rupiah of reserves inserted in add up to resources. The higher the return on resources, the higher the sum of net benefit produced by each rupiah of stores contributed in add up to resources, on the other hand, the lower the return on resources implies the lower the net benefit produced from each rupiah of reserves contributed in add up to resources.

The amount of cash owned by the company reflects the company's ability to distribute dividends to shareholders, so it can be said that there is a relationship between cash ratio and dividend payout ratio (Simanjuntak, 2019).

DER is a debt ratio that describes the extent to which owner's capital can cover debts to outsiders which can measure the extent to which the company is financed from debt and shows the company's ability to meet its obligations. The greater the DER, the higher the company in fulfilling its debts, which means that the higher the company's obligations, it can reduce its ability to pay dividends (Wahyuni & Hafiz, 2018).

The ratio of total assets turnover or often called Total Assets Turn Over (TATO) reflects the use of assets within a company. The higher this ratio, it will be very good for the company because high asset turnover can help maximize company profits. The greater this ratio, the better because assets can rotate faster and earn profits and shows the more efficient use of all assets in generating sales (Sampurna & Widyarto, 2015).

Literature Review

Dividend policy theory according to Sunyoto and Susanti (2015), namely:

1. Bird in the Hand Theory

Investors feel safer to get income in the form of dividend payments than waiting for capital gains.

2. Tax Differential Theory

If capital gains are taxed at a lower rate than the tax on dividends, then stocks that have a high growth rate are more attractive. But on the other hand, if capital gains are taxed the same as income on dividends, then capital gains are reduced. However, the tax on capital gains is still superior than the tax on dividends, because the tax on capital gains is only paid after the shares are sold, while the tax on dividends must be paid annually after dividend payments. In expansion, the investment period to influence the income of investors. In case an investor as it were buys offers for a period of one year, there's no distinction between a charge on capital gains and a charge on profit.

3. Signaling Hypothesis

The hypothesis that investors value dividend changes as a signal of earnings by management. The existence of an increase in dividends is expected to be a signal to investors that

management predicts future earnings will be better. Conversely, if there is a smaller than expected dividend reduction, it is a signal that in the future management will expect bad profits. Based on this theory, a manager has more in-depth information using dividends to inform the quality of earnings to investors.

4. Residual Dividend Policy

The basis of this policy is that investors prefer if the company retains and reinvest the company profit rather than distributing dividends, if the reinvested profit can produce a higher return than the average return that can be generated from other investments with the same risk. This theory explains why companies experiencing fast growth tend to pay less.

Conceptual Model and Hypothesis

The higher the return on assets, the higher the sum of net benefit produced by each rupiah of stores that's inserted in total assets, then again the lower the return on asset implies the lower the net benefit produced from each rupiah of stores inserted in total assets (Wahyuni & Hafiz, 2018) and this ratio also has an influence on dividend policy, because dividends are part of the profits earned by the company.

H1: Return on assets affects dividend policy

CAR shows the capacity to pay off its current obligation. This is because it contains accounts receivable and inventory, while the quick ratio contains accounts receivable where the two accounts have been turned into cash for a long time. Companies with better cash ratios will be able to pay more dividends, while companies with bad cash ratios will pay less dividends or will not be able to pay dividends.

The sum of cash owned by the entity reflects the company's capacity to distribute dividends to shareholders, so it can be concluded that there is a relationship between cash ratio and dividend payout ratio (Simanjuntak, 2019).

H2: Cash ratio affects dividend policy

The use of debt that is too large in operational activities has an adverse impact on the company because the company has to pay its obligations

which will reduce the benefits obtained in the form of debt and interest installments.

Payment of debt and interest installments is prioritized over dividends, so the higher the leverage, the lower the dividends distributed (Sari & Luh, 2015).

H3: Debt to equity ratio affects dividend policy

TATO is a measure of the activity ratio used to measure how much effectiveness the company is in utilizing assets because the higher the asset turnover, the higher the company's capacity to distribute dividends (Purnami & Luh, 2016).

H4: Total asset turnover affects dividend policy

Methodology

The object in this research is the financial statements of the property & real estate industry listed on the Indonesia Stock Exchange for the period 2015-2019. Type of data used in this study is secondary data. According to Nuryaman and Christina (2015), auxiliary data is information collection by perusing, recording and analyzing data, information contained in available reports and documents, both published and unpublished. Data analysis uses multiple linear regression, namely by observing the effect of ROA, CAR, DER, TATO on dividend policy in property and real estate companies listed on the IDX in 2015-2019.

The linear regression model in this research is as follows:

Table 1. Results of panel data regression with the Fixed Effect Method model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.086760	0.739727	1.469136	0.1434
X1	0.084423	0.439040	0.192289	0.0477
X2	0.017067	0.439119	0.038866	0.0390
X3	-0.069142	0.693944	-0.099637	0.9207
X4	0.008798	0.709389	0.012402	0.0301

Source: Eviews 10

$$Y = 1,086760 + 0,084423 X_1 + 0,017067 X_2 - 0,069142 X_3 + 0,008798 X_4$$

Y = Dividend Policy

X₁ = ROA

X₂ = CAR

X₃ = DER

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Notes:

Y = Dividend Policy

α = Constant

β₁β₂β₃ = The regression coefficient for each dependent variable

X₁ = ROA

X₂ = CAR

X₃ = DER

X₄ = TATO

e = Disturbance's error

This model estimates the fixed effect panel data model using dummy variable techniques to capture intercept differences.

This model assumes that the regression coefficient between individuals and over time is fixed.

Results and Discussion

Regression analysis is used to determine the existing relationship between variables to show the direction of the relationship between the independent variable and the dependent variable.

The results of panel data regression with the Fixed Effect Method model can be seen in the following table:

X₄ = TATO

From this model it can be explained that:

1. The value of α = a constant of 1.086760 shows the average value of dividend policy if the variables ROA, CAR, DER, and total assets turnover are considered constant to be zero (0).

2. The regression coefficient value for ROA is 0.084423 and is positive, meaning that every increase in ROA is predicted to increase dividend policy by 0.084423.

3. The regression coefficient value for CAR is 0.017067 and it is positive, meaning that every increase in CAR is predicted to increase dividend policy by 0.017067.

4. The regression coefficient value for the DER is 0.069142 and has a negative sign, meaning that every increase in DER is predicted to reduce dividend policy by 0.069142.

5. The regression coefficient value for TATO is 0.008798 and has a negative sign, meaning that every increase in TATO is predicted to increase dividend policy by 0.008798.

ROA shows a significance level of 0.0477 which is smaller than the significance level of 0.05 (5%) and the value of the regression coefficient (β) shows a positive value of 0.084423.

The results of the t statistical test and the regression coefficient show that ROA has a positive and significant effect on dividend policy, this indicates that the increase in ROA, the higher the ROA implies the higher the sum of net benefit produced by each rupiah reserves that are implanted in total assets.

CAR shows a significance level of 0.0390 which is smaller than the significance level of 0.05 (5%) and the regression coefficient value (β) shows a positive value of 0.017067.

The results of the t statistical test and the regression coefficient show that the CAR has a positive and significant effect on dividend policy. This indicates that the higher the CAR, the higher the entity's liquidity ability so that it is expected to be able to pay even more dividends in the future.

DER shows a significance level of 0.9207 which is greater than the significance level of 0.05 (5%). The regression coefficient (β) shows a negative value of 0.069142.

The results of the t statistical test and the regression coefficient show that the DER has no impact on dividend policy. These results indicate that the company does not pay much attention to the problem of debt composition compared to its own capital.

TATO shows a significance level of 0.0390 which is smaller than the significance level of 0.05 (5%), the value of the regression coefficient (β) shows a positive value of 0.008798. The results of the t statistical test and the regression coefficient appear that TATO features a positive and noteworthy impact on dividend policy, these results indicate that the more TATO increases, the way better since assets can pivot quicker and gain benefits and appear more productive utilize all asset in creating sales.

Conclusion

The results of this research about show that the Return on Assets, Cash Ratio, and Total Asset Turn Over have an influence on dividend policy, while the Debt to Equity Ratio has no effect. Companies tend to consider more about the turnover rate in increasing assets, company liquidity and how the assets owned by the company in generating sales are more optimal, compared to just looking at the company's capital structure.

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