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THE EFFECT OF OPERATING CASH FLOW AND NET PROFIT ON CASH DIVIDEND IN INDEX COMPANIES KOMPAS 100 ON THE INDONESIA STOCK EXCHANGE

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Abstract:
Cash dividends are one of the benefits that investors get as a form of profit sharing generated by the company. For investors who focus on long-term profits, the benefits obtained from cash dividends are more expected than capital gains. This arises because there is an understanding that aligns with the bird in hand theory that cash dividends provide a more certain profit than capital gains. This study aims to determine whether cash flow from operating activities affects cash dividends and whether net profit affects cash dividends for companies with the Kompas 100 index on the Indonesia Stock Exchange (IDX) during the 2019-2021 period. This study uses a quantitative method with an associative approach. Sampling was done by purposive sampling method and obtained 36 companies members of the Kompas 100 index that met the criteria. The results showed that: (1) operating cash flow did not have a significant effect on cash dividends, (2) Net income had a significant effect on cash dividends, and (3) Simultaneously, operating cash flow and net income had a significant effect on cash dividends.

Keywords: Operating cash flow, net profit, cash dividend
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INTRODUCTION

Kresna (2021) writes that the bird in the hand theory, which was first pioneered by Lintner (1956), is a theory that explains that investors want or expect dividend payments compared to capital gains. The basis for this bird-in-the-hand theory is that there is an assumption that receiving cash dividends is less risky than expecting capital gains in the future. Moreover, cash dividends provide more specific and consistent returns than capital gains. Companies that can provide benefits through dividend distribution signal to investors that the company has good prospects and a decent investment value.

How much cash dividends will be distributed is a matter of consideration and dilemma with how much profit will be used for the benefit of investment and company management. Dividends and retained earnings are both a provision for profits the company generates. Therefore, the nominal dividends and retained earnings will not exceed the company's profits. The policy to distribute dividends is also influenced by the profits or profits that the company gets.

Agency theory assumes that the more complex the company's activities, the more conflicts of interest between shareholders and management. The company has a clear separation between ownership, operation, and control. The separation between ownership, operation, and control allows management to prioritize their interests over those of the owners. Dividends and retained earnings are both a provision for profits the company generates. Therefore, the nominal dividends and retained earnings will not exceed the company's profits.

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Investors prefer cash dividends because they have a definite profit value. However, even if a company or institution is profitable to pay cash dividends, the company must have cash availability. Because cash dividends will also be paid with cash/cash owned by the company. Even if a profitable company experiences a cash flow deficit, this indicates that the company is experiencing financial problems and may not be able to pay obligations to creditors, let alone distribute cash dividends to investors. PSAK No.2 Paragraph 12 states that "The amount of cash flows originating from operating activities is an indicator that determines whether the company's operations can generate sufficient cash flows to pay off loans, maintain the company's operating capabilities, pay dividends and make new investments without relying on other sources. outside funding." That way, the greater the cash flow from the company's operating activities, the greater the company's ability to distribute cash dividends.

Previous similar studies have shown inconsistent results. Among them, research conducted by Indian Maulina (2021) and Reza Lubis (2022) concluded that operating cash flow has no significant effect on cash dividends, while net income has a significant effect on cash dividends. On the other hand, research conducted by Marismiati and Aini (2019) shows that the results of operating cash flow and net profit partially have a significant effect on cash dividends, and research conducted by Fatia Fatimah (2022) concluded that operating cash flow and net income are both partially not significant effect on cash dividends.

Based on the explanation above, the researcher will discuss again the cash dividends distributed by the company. Judging from the operating cash flow and net profit generated by the company, which is considered capable of influencing cash dividends. Therefore, the title of this study is "The Effect of operating cash flow and net income on cash dividends in Companies with the Kompas 100 Index on the IDX" in the last three years of the study period.

This type of research is a quantitative method with an associative approach. Concentration on the population of the Kompas100 index company on the IDX, which totals 100 companies. The number of samples in this study was determined by purposive sampling. With the specified criteria, the sample obtained was 36 companies. The type of data used is the type of quantitative data. The data source used in this research is secondary data. The data in question can be obtained by accessing the official website of PT. Indonesia Stock Exchange (http://www.idx.co.id/). This study used multiple linear regression analysis and hypothesis testing (t-test, f-test, and adjusted r), which used the statistical package for social sciences (SPSS v 22.00). As a condition of regression testing, the classical assumption test was carried out first with descriptive analysis, and it was found that the data were normally distributed and fulfilled the classical assumption test requirements.

METHODS

This type of research is a quantitative method with an associative approach. Concentration on the population of the Kompas100 index company on the IDX, which totals 100 companies. The number of samples in this study was determined by purposive sampling. With the specified criteria, the sample obtained was 36 companies. The type of data used is the type of quantitative data. The data source used in this research is secondary data. The data in question can be obtained by accessing the official website of PT. Indonesia Stock Exchange (http://www.idx.co.id/). This study used multiple linear regression analysis and hypothesis testing (t-test, f-test, and adjusted r), which used the statistical package for social sciences (SPSS v 22.00). As a condition of regression testing, the classical assumption test was carried out first with descriptive analysis, and it was found that the data were normally distributed and fulfilled the classical assumption test requirements.

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Table 1. Purposive Sampling

Information	Amount
A member company of the kompas100 index listed on the Indonesia Stock Exchange.	100
Kompas100 index members who do not meet the criteria of purposive sampling: 1. Not consistently publishing financial reports from 2019 - 2021 2. Not delisted from the Indonesia Stock Exchange during the 2019 – 2021 research period. 3. Inconsistent distribution of cash dividends during the 2019 – 2021 research period 4. Financial reports use units of foreign currency. 5. The statement of cash flows shows a negative nominal	(64)
Companies that are members of the Kompas100 index that meet the criteria of purposive sampling and become the research sample	36

Source: Idx.com / processed researcher data (2022)

RESULT AND DISCUSSION

The results of the descriptive statistical analysis of this research's dependent and independent variables, namely operating cash flow, net profit, and cash dividends in 36 companies and 108 data, are shown in the table below.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Arus Kas Operasi	108	79593	129892493	12977220.95	24321053.428
Laba Bersih	108	27328	34413825	6010759.76	9280690.163
Dividen Tunai	108	7350	26400000	3082042.93	5290722.014
Valid N (listwise)	108				

Source: Process data with SPSS 22.

Based on the table, it can be interpreted as follows:

1. Operating Cash Flow (X1) shows a minimum value of 79,593 and a maximum value of 129,892,493. Metrodata Electronics Tbk Company represents the minimum value of operating cash flow in 2021, and Bank Mandiri (Persero) Tbk represents the maximum value of operating cash flow. The mean value of the operating cash flow variable is 12,977,220.95.
2. 1. Operating Cash Flow (X1) shows a minimum value of 79,593 and a maximum of 129,892,493. Metrodata Electronics Tbk Company represents the minimum value of operating cash flow in 2021, and Bank Mandiri (Persero) Tbk represents the maximum value of operating cash flow. The mean value of the operating cash flow variable is 12,977,220.95.
3. Cash Dividend (Y) Cash dividend as the dependent variable has a value ranging from 7,350 (minimum value) to 26,400,000 (maximum value). The company that shows the minimum dividend value is Wismilak Inti Makmur Tbk, and the company that shows the maximum

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dividend yield is Bank Rakyat Indonesia (Persero) Tbk. The mean value of the cash dividend variable is 3082042.93.

Table 3. Multiple linear regression testing

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	12.704	.125	
	Laba Bersih	1.571E-7	.000	.833
	Arus Kas Operasi	-3.994E-9	.000	-.055

a. Dependent Variable: Y_Ln
Source: Process data using SPSS 22

Based on the table above, it can be connected with the multiple linear regression model for this study, namely:

$Y = a + \beta 1X1 + \beta 2X2 + e$

$Y = 12{,}704 - 0{,}000003994\ X1 + 0{,}0001571\ X2 + e$

1. A constant of 12.704 means that if the independent variables, namely operating cash flow and net profit, are 0 or eliminated, then the value of cash dividends is 12.704
2. The regression coefficient X1 (operating cash flow variable) is -0.000003994, meaning that every one-unit increase in the operating cash flow variable will reduce the cash dividend value by -0.000003994. The sign (-) indicates an inverse relationship between operating cash flow and cash dividends.
3. The regression coefficient X2 (net profit variable) of + 0.0001571 means that every one-unit increase in net income will increase cash dividends by 0.0001571. Assuming that the cash flows persist. The + sign indicates a unidirectional relationship between net income and cash dividends.

Table 4. Testing the Coefficient of Determination (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.786[a]	.618	.611	1.09200

a. Predictors: (Constant), Operating Cash Flow, Net Income
b. Dependent Variable: Y_Ln
Source: Process data using SPSS 22

The table above shows the R square value of 0.618. This means that the operating cash flow and net income variables can explain variations in changes in the cash dividend dependent variable of 61.8%, and the remaining 38.2% (100 – 61.8) is explained by other factors or components outside of the regression model analyzed in this study.

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Table 5. Hypothesis Testing (t-test)

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	12.704	.125		101.294	.000
Operating cash flow	-3.994E-9	.000	-.055	-.481	.596
Net profit	1.571E-7	.000	.833	7.226	.000

Source: Process data using SPSS 22.

It is known that the t count for the operating cash flow variable is -0.481, and with n=108, a= 0.05, k=2, it can be seen that the t table value for operating cash flow is 1.98282 (t count < t table). Moreover, the significance value of the operating cash flow variable is 0.596 (more than 0.05). It can be interpreted that the operating cash flow variable has no significant effect on cash dividends. Thus, H1, which states that operating cash flow significantly affects cash dividends, is rejected.

Previous research conducted by Indian Maulina (2021) also showed the same results, where operating cash flow was stated to have no significant effect on cash dividends, in line with the Agency Theory, which explains that there are different interests between company ownership and management. Even though investors would prefer to receive cash dividends, managerial parties may make different decisions with consideration of company management. Therefore, the availability of operating cash flow does not necessarily affect the size of the distribution of cash dividends.

For the net profit variable, it has a t count value of 7.226 (t count > t table) and a significance value of 0.000 (less than 0.05), so it can be interpreted that H2 states that net income has a significant effect on cash dividends received. The results of this study align with previous research conducted by Edmon (2021), with the study stating that net profit partially has a significant effect on cash dividends. These results prove investors' expectations following the Signaling theory, where the profits earned by management from operating the company will allow the company to pay dividends.

Table 6. Hypothesis Testing (f-test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	203.655	2	101.828	86.050	.000[b]
	Residual	124.252	105	1.183		
	Total	327.907	107			

a. Dependent Variable: Y_Ln
b. Predictors: (Constant), Net profit, Operating cash flow
Source: Process data using SPSS 22.

It is known that the calculated F value is equal to 86.050, and the F table is based on the value a = 0.05; n=108 and k= 2 is 3.082. This shows that the calculated F value > from the F table, and it can be interpreted that operating cash flow and net profit simultaneously affect cash dividends. Thus H3 (hypothesis 3) is accepted.

Similar results were also found in previous research conducted by Ardiansyah in 2019 for LQ45 index companies on the Indonesia Stock Exchange (IDX), where the test results concluded that

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net income and cash flow from operating activities simultaneously had a significant effect on cash dividends.

CONCLUSION

Based on the results of previous research using multiple linear regression models through the SPSS 22 statistical program, the following conclusions were obtained:

1. Operating cash flow (X1) is stated to have no significant effect on the dependent variable cash dividends (Y) on the Kompas100 index company during 2019 – 2021.
2. Net profit (X2) significantly affects the dependent variable cash dividends (Y) on the Kompas100 index company in the 2019-2021 research period.
3. Operating cash flow (X1) and net profit (X2) simultaneously or jointly affect cash dividends in Kompas100 index companies in the 2019-2021 research period.

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