

THE EFFECT OF DEBT TO EQUITY RATIO, TOTAL ASSET TURNOVER, RETURN ON ASSETS AND RETURN ON EQUITY ON DIVIDEND POLICY IN MANUFACTURING COMPANIES

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Abstract:

An industry has a clear goal, which is to reap profits in each of its performances, the profits generated by the industry in its performance cannot be separated from the donations of financial managers. The purpose of this study is to find out that dividend policy can increase business growth and development. The study method uses secondary data, obtained from the annual report of each industry with the year published 2015, 2016, 2017, 2018 and 2019. The total population of 182 obtained by 25 industries as an illustration with a year of observation as far as 5 years, so that an illustration of as many as 182 is obtained. 125 observations. The conclusions obtained in the results of this study that investors and potential corporate investors will be more careful and also pay attention to financial ratios that can be considered in carrying out investments.

Keywords: Dividend Policy, Debt To Equity ratio, Total Assets Turnover, Return On Assets and Return On Equity.

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INTRODUCTION

An industry has a clear goal, which is to reap profits in each of its performances, the profits generated by the industry in its performance cannot be separated from the donations of financial managers (Kawisana & Anggiriawan, 2020). Financial managers are very important in making financial decisions in order to increase the value of the industry, which means it can increase the prosperity of industry owners, in this case the shareholders of the industry in question, for industries that go public (Kawisana & Jayanti, 2021). Dividends are one part of his special policy on financial management of an industry related to shareholders (Saputra et al., 2018). The assumption that dividends override can be said to be a source of industrial capital (Kawisana et al., 2019). Dividends are one of the most important things for investors/shareholders because when investing in industrial stock instruments, you certainly expect the highest return (Bößner et al., 2019; Fenu & Pau, 2015).

Signaling is also in the form of fund management activities that are certain to reflect the value of the company's shares (Xu et al., 2019). Signaling theory is useful for describing behavior when two parties (individuals or organizations) have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal (Mahoney et al., 2013).

The agency bond is a contract between one or more people (principals) that asks a person to carry out some activities or activities for the benefit of the principal in terms of making decisions (Junita & Abdullah, 2017; Whipple, 2018). Agency theory is a principle that is used to explain and resolve issues in the relationship between business principals and their agents (Darwis, 2017). Most commonly, that relationship is the one between shareholders, as principals, and company executives, as agents (Boučková, 2015; Reverte, 2009).

The decision made by the industry to determine whether the profits generated will be distributed as dividends or in the form of retained earnings for investment in the future (Jensen, 2005a; Peng et al., 2021). If management chooses to pay dividends then internal funding sources will decline. On the other hand, if management chooses not to pay dividends, then the industry will have the opportunity to invest because internal funding increases (Tran, 2019; Trisnadewi et al., 2019).

Therefore, the industry must be able to think between the amount of profit to be retained to improve the industry and the level of dividend distribution to shareholders (Chari et al., 2019; Jensen, 2005b). Industries that have dividend distribution skills are considered by residents as profitable industries (Jayawarsa et al., 2021; Saputra & Kawisana, 2021). Usually investors like normal dividend financing. Changing dividends will lead to data disclosure and can rob investors of patience (Deegan, 2013; Ousama et al., 2020). The stability of dividend distribution maintained by an industry will result in increasing investor confidence in the industry, because it will reduce investor uncertainty in investing their funds (Chiou & Shu, 2019; Sara et al., 2020). To reduce this uncertainty until the industry makes a policy to override dividend payments, where the policy is often known as dividend policy (Berzins et al., 2019; Jensen, 2005a). It is necessary to pay close attention to the industry in deciding whether the surplus will be distributed as dividends or tolerate the surplus for re-investment in projects that have the potential to share profits in increasing development and industrial improvement efforts (Larasdiputra et al., 2019). Given the importance of the policy that must be determined by the industry through the distribution of dividends to shareholders, which through the distribution of dividends will increase the attention of investors to the purchase of industrial shares, it is necessary to try to assess the reasons for handling the policy (Tran, 2019).

METHODS

Quantitative research templates are objective, elaborate, and many times, even investigational. The results achieved from this research method are logical, statistical, and unbiased. Data collection happened using a structured method and conducted on larger samples that represent the entire population (Atmadja et al., 2021). Primary quantitative research is the most widely used method of conducting market research (Lidyah, 2018). The distinct feature of primary research is that the researcher focuses on collecting data directly rather than depending on data collected from previously done research (Troise et al., 2020). Primary quantitative research design can be broken down into three further distinctive tracks, as well as the process flow (Boekestein, 2009). Survey Research is the most fundamental tool for all quantitative outcome research methodologies and studies. Surveys used to ask questions to a sample of respondents, using various types such as online polls, online surveys, paper questionnaires, web-intercept surveys, etc. Every small and big organization intends to understand what their customers think about their products and services, how well are new features faring in the market and other such details (Westerman, 2006).

By conducting survey research, an organization can ask multiple survey questions, collect data from a pool of customers, and analyze this collected data to produce numerical results. It is the first step towards collecting data for any research. This type of research can be conducted with a specific target audience group and also can be conducted across multiple groups along with comparative analysis. This research has a population of 182 industries with a procedure for determining purposive sampling illustrations to become 25 industries, so that the illustrative information is 125 illustrations. The types and sources of information in this research are quantitative information and secondary information. The procedure for analyzing information in this research is the Spss – 20 test.

RESULTS AND DISCUSSION

Based on the results of the normality test, getting a value of less than 0.05 means that the residual value is fairly distributed. Multicollinearity test can be concluded if the test model does not find multicollinearity problems. Heteroscedasticity test has no indication of Heteroscedasticity. Autocorrelation-test because the value of DW (d-count) 2.080 lies between 1.7617 and 2.2383 so that conclusions can be drawn if there is no autocorrelation.

Multiple Linear Analysis

Table 1. Regression

| Model | Unstandardized Coefficients | | Unstandardized Coefficients | t | sig |
|------------|-----------------------------|------------|-----------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | ,635 | ,095 | | 6,654 | ,000 |
| DER | -,384 | ,068 | -,690 | -5,624 | ,000 |
| TAT | ,004 | ,082 | ,005 | ,050 | ,961 |
| ROA | -3,641 | 1,294 | -,708 | -2,814 | ,006 |
| ROE | 2,912 | ,786 | ,840 | 3,704 | ,000 |

a. Dependent Variable: Dividend Policy

$$Y = ,635 + (-,384X_1) + ,004X_2 + (-3,641X_3) + 2,912X_4 + e$$

This test is tried to see whether the analyzed model has a large level of model feasibility, namely the variables used are able to explain the analyzed phenomenon. Basically, the t test is useful for analyzing one variable individually in implementing the alteration of the dependent variable. From the research it is known that regarding X1 showing negative results, X2 showing positive results, X3 showing negative results and , X4 showing positive results which means H1 and H4 are accepted while H2 and H3 are rejected.

DER shows the entity's ability to pay off its obligations as indicated by the proportion of equity used to fulfill obligations (Trisnadewi et al., 2019). This ratio describes the extent to which the owner's capital can cover debts to outsiders. Debt to Equity Ratio (DER) shows the comparison between the total debt owned by the company and its total equity (Jensen & Meckling, 1976). A high level of Debt to Equity Ratio (DER) indicates a total comparison position, including short-term debt which is greater than total equity (Trisnadewi et al., 2019). This indicates that there are different considerations from investors in considering the Debt to Equity Ratio (DER) as an investment decision (Sara et al., 2020). Debt to Equity Ratio (DER) is considered the magnitude of the company's responsibility to third parties, namely creditors who provide loans to the company (Jensen & Meckling, 1976). So that the greater the value of the Debt to Equity Ratio (DER) will increase the company's dependents. However, it seems that some investors actually view that growing companies will definitely need debt as additional funds to meet funding for growing companies. The company requires a lot of operational funds that cannot be met only from the company's own capital. This condition causes the possibility of developing the company in the future which will lead to an increase in stock returns (Dewenter & Warther, 1998; Murphy, 1985).

Total Asset Turnover (TAT) is one measure used to assess management efficiency in running the company's wheels. A high Total Asset Turnover (TAT) value indicates that the company's management can utilize all of its assets to generate revenue for the company and this in turn is considered to increase company profits (Alipour, 2012; Jennings & Seaman, 1990). Thus, a high Total Asset Turnover (TAT) has the potential to attract investors to continue investing in the company and will increase the company's stock price (Mouritsen, 2003; Tang, 2018). Total Asset Turnover (TAT) shows the more efficient a company is in utilizing its assets and shows the greater the sales generated, which will then have a positive impact on stock prices (Li & Cai, 2016). Total Asset Turnover (TAT) is the ratio of total sales to the company's total assets. TAT shows the total turnover speed of assets in a certain period. TAT is also a ratio that describes the level of efficiency in the use of the company's total assets in generating a certain sales volume. TAT measures the

number of sales that can be generated from each rupiah of assets owned by the company (Jennings & Seaman, 1990).

Return on Asset is the calculation of the benefits obtained by utilizing the use of company assets. Return on Asset is a ratio used to measure how much profitability is generated from the use of company assets (Buszko & Mroziewski, 2009). Return on Asset is a description of how much return is obtained for each invested in assets. If the company has a high level of profitability, it shows that the company can generate enormous profits because it utilizes its assets (Sánchez & Elena, 2006). The profitability in the company is high enough, the company's capital structure will be low so that the company uses smaller debt because it is able to provide sufficient funds through retained earnings. The value of Return on Assets in the company is high, it indicates higher profitability (Izzalqurny et al., 2019). The effect of liquidity on capital structure means that if the company's liquidity increases, the company's capital structure will decrease. It can be said that changes in profitability will not affect changes in capital structure (Demartini & Beretta, 2020). This study was in line with the results of research which stated that changes in profitability will not affect the capital structure. also stated that there is a negative effect company size on capital structure. Research conducted stated managerial ownership has no effect on capital structure (Dong et al., 2017). Return on equity is the ability of manufacturing companies listed on the Indonesia Stock Exchange to generate profits based on equity owned, which will be measured by comparing the net income with equity held by the company in the same period (Farimani & Yazdi, 2015; Kaplan & Norton, 1992; Trisnadewi et al., 2019).

CONCLUSION

Based on the results, it was found that in the four studies analyzed, only H1 and H4 met the hypothesis, while H2 and H3 did not meet the hypothesis. It is hoped that investors and potential corporate investors will be more careful and also pay attention to financial ratios that can be considered in carrying out investments. For the next researcher, it is expected to use other variables that can affect stock returns.

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