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## Analysis of Sales Growth and Financial Factor Determining Dividend Distribution Policy: A Sample of Indonesia Manufacturing Companies

Amanatur Rohmah Rofi' Indayanti<sup>1</sup>, and Hadi Ismanto<sup>2</sup>

<sup>1,2</sup> Faculty of Economics and Business, Universitas Islam Nahdlatul Ulama, Jepara, Indonesia

### Abstract

*A company's dividend policy will involve two parties, between the investor and the company. The parties have different interests. Companies that have an interest in holding profits and the interests of investors who want the distribution of dividends. Investors usually prefer to pay a very high price for stocks that can provide high dividends. This study combines the factors that influence the distribution of dividends in one study frame. The research objective is to test and analyze the factors that influence the distribution of dividends in a manufacturing company for the period of 2016-2017 listed on the Indonesia Stock Exchange by using variables of sales growth, asset turnover (TATO), NPM, ROI, CR, DER. The method used in this research is descriptive with a total sample of 133 companies with a purposive sampling technique. Analysis of the data used is logistic regression analysis. The results showed that only the TATO variable and the ROI variable influenced the distribution of dividends. While the variable Sales growth, NPM, CR, DER do not affect the distribution of dividends. For companies, financial health is the main thing by always paying attention to financial ratios and dividend policy strategies. Investors are expected to understand and pay attention to asset turnover and return on investment, so the decision made is the right choice.*

*Keywords— Dividend policy; dividend distribution policy; financial ratio; sales growth*

### Abstrak

Kebijakan dividen sebuah perusahaan akan melibatkan dua pihak, antara investor dan perusahaan. Para pihak memiliki kepentingan yang berbeda. Perusahaan yang memiliki kepentingan untuk menahan labanya dan kepentingan dari investor yang menginginkan pembagian dividen. Para investor biasanya lebih menyukai untuk membayar dengan harga yang sangat tinggi bagi saham yang mampu memberikan dividen yang tinggi pula. Penelitian ini menggabungkan faktor-faktor yang menentukan pembagian dividen dalam satu bingkai penelitian. Tujuan penelitian yaitu menguji dan menganalisis fakto yang menentukan tingkat pembagian dividen pada suatu perusahaan manufaktur periode 2016-2017 yang terdaftar di BEI dengan menggunakan variabel pertumbuhan penjualan, perputaran asset (TATO), NPM, ROI, CR, DER. Metode yang digunakan dalam penelitian ini adalah deskriptif dengan jumlah sampel sebesar 133 perusahaan dengan teknik *purposive sampling*. Analisis regresi logistik digunakan untuk menguji hipotesis penelitian. Hasil penelitian menunjukkan bahwa hanya variabel TATO dan variabel ROI yang berpengaruh terhadap pembagian dividen. Sedangkan variabel Sales growth, NPM, CR, DER tidak berpengaruh terhadap pembagian dividen. Bagi perusahaan, kesehatan keuangan merupakan hal yang utama dengan selalu memperhatikan rasio keuangan dan strategi kebijakan dividen. Investor diharapkan memahami dan memperhatikan perputaran asset dan tingkat pengembalian investasi, sehingga keputusan yang diambil merupakan pilihan yang tepat.

Kata kunci— Kebijakan Dividen; Keputusan Pembagian Dividen; Pertumbuhan Penjualan; Rasio Keuangan

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Corresponding author: [hadifeb@unisnu.ac.id](mailto:hadifeb@unisnu.ac.id)

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## I. INTRODUCTION

Investment activities are very important for the process of running a business activity. For companies, the investments made have various kinds of risks as well as uncertainties that are often difficult to predict for investors. In order to decrease a risk occurrence and uncertainty that might occur, investors need relevant information. This information includes company performance and other information such as information on financial reports, political conditions and economic conditions of a country (Kuniawan, Arifati, & Rita, 2016). Information on the company's financial performance is presented in its income statements. Financial statements present the company's fundamental information during one year of activity that describes company's performance growth, company's ability to earn profits and the amount of dividends distributed per share. This information will help investors make investment decisions. Dividend per share (DPS) can reflect the company's performance ratio, but this ratio does not ensure that the company will distribute its dividends in the future. Because the dividend distribution policy depends on the company's future project needs, so the company retains earnings to finance more profitable projects (Harianja et al., 2013).

Capital market players have different interests. Companies have an interest in holding back their earnings and investors want high dividend payouts. Therefore, investors are more likely to prefer stocks that pay high dividends and even dare to pay a higher price. Asril (2009) and Arif & Akbar (2013) state that a high dividend distribution can attract investors to invest in a company. In addition, investors tend to prefer returns through dividends rather than capital gains (Harianja *et al.*, 2013). Al - Malkawi (2007) emphasized that in uncertainty and asymmetric information, dividends are more valuable than capital gains, namely dividends are worth more than twice capital gain. Andres, Betzer, Goergen, & Renneboog (2009) argued in their research on companies in Germany that companies will cut dividends when profitability decreases. The decision may force investors to withdraw their shares when they feel the investment is no longer profitable. During the last four years, most manufacturing companies listed on the Indonesia Stock Exchange (IDX) did not distribute their dividends as detailed in Table 1. For example, the basic industry and chemicals sub-sector companies that distributed dividends were only 21% of the total sub-sector population in 2014 and continued to decline until 2017. In fact, in 2017, more than 80% of companies did not pay dividends. This then attracts attention to examine what factors can influence the company in distributing dividends.

Table 1. Manufacturing industry sub-sector ratio data that distributed dividends

No	Sub-sector	2014		2015		2016		2017	
		Pay	Not	Pay	Not	Pay	Not	Pay	Not
1	Basic Industry and Chemicals	15	55	22	48	25	45	2	68
	%	21%	77%	31%	67%	36%	63%	3%	96%
2	Miscellaneous Industry	10	34	13	31	17	27	5	39
	%	23%	77%	30%	70%	39%	61%	11%	89%
3	Customer Goods Industry	15	29	18	26	19	25	3	41
	%	34%	64%	41%	57%	43%	55%	7%	91%

\*Source: IDX, 2019

Factors that influence a company decision in determining the amount of earnings to distributed as dividends, namely financial ratios and market prices to book value ratio (Rahayuningtyas, 2014) company size, investment opportunities, managerial ownership, company age (Halim, 2013). In this study, the factors of sales growth and financial ratios include asset turnover, net profit margin (NPM), return on investment (ROI), current ratio (CR), and debt to equity ratio (DER). The inconsistency results of previous research shows that several financial ratios have various effects on dividend policy. Harianja, *et al.* (2013) stated that leverage ratio and profitability ratio have an effect on dividend policy, but Laim, Nangoy and Murni (2015) and Jannati (2012) stated that the DER ratio has a negative effect on the dividend distribution rate. Penelitian Purweni (2013) found that DER and current ratio have a positive effect on dividend distribution rate.

Sales growth is one indicator of a company's growth in a certain period. To continue growing, companies need more funds for operational and investment activities. Maintaining or increasing sales growth is management's great choice, as it has to do with shareholder welfare. The decrease in the company's potential growth and low cash flow forces management to cut dividends to build financial leeway related to future investment needs (Deshmukh et al., 2013), so the company chooses to hold earnings for one period and not pay dividends (Diah et al., 2016; Marpaung & Hadianto, 2009). Damayanti & Achyani (2017) stated that the high growth of the company

will increase need funds for company expansion costs. There is a difference in sales growth related to dividend distribution, the service industry has a cash flow after tax that is closer to net income than the manufacturing industry (Gill et al., 2010).

Financial analysis aims to diagnose financial situations and performance to used by companies as decision-making materials (Babalola & Abiola, 2013). The results of financial analysis through financial ratios calculation show the company's financial characteristics that determine decisions regarding dividend payments. These ratios include profitability, liquidity, leverage, and sales growth (Gill et al., 2010; Malik et al., 2013). The activity ratio can be determined from total asset turnover ratio (TATO) or asset turnover. The TATO ratio emphasizes company productivity in managing effectively the overall assets of the company to increase sales results and firm value (Lumapow & Tumiwa, 2017). Effectiveness of the company to use of resources in assets and the fast return of company funds in cash indicate that the company's future prospects are very promising for owners and potential investors. If a company is able to minimize the funds spent to carry out its financial and operational activities, then the company's ability to produce net profits is greater. This advantage will be the basic guideline for dividend distribution (Kadir, 2010). One indicators of the a company efficiency is known from the value of net profit margin (NPM) and return on investment (ROI) (Rahmawati et al., 2014). ROI is a measure of management effectiveness in its efforts to manage investments.

Current ratio (CR) used as a measure of the company's ability to meet all current liabilities. If a company has a high current ratio, it means that it allows the company to make a policy to pay dividends (Malik et al., 2013). A high current ratio indicates that most of the funds used to meet short-term debt, it will adversely affect the company's profitability, thereby reducing the company's ability to pay dividends. In terms of measuring risk, long-term creditors will focus more on the prospects for cash flow and profit. However, creditors cannot ignore the principle of maintain balancing the amount of assets funded by creditors with the amount of capital owners. Gill et al. (2010) show that risk affects a company's dividend policy. The ratio known to measure company risk is the debt to equity ratio (DER). This ratio shows the proportion of own capital and debt in financing company assets (Jannati, 2012). Companies that have a higher level of risk, indicated by a high DER value, make it more difficult for companies to pay dividends (Gill et al., 2010; Jannati, 2012; Malik et al., 2013; Samrotun, 2015). Thus, this study intends to re-examine the effect of sales growth factors and financial ratio factors (TATO, NPM, ROI, CR, and DER) both individually and simultaneously on dividend distribution policy of manufacturing companies listed on the IDX and to analyze the empirical results.

## II. LITERATURE REVIEW

### A. *Sales Growth and Dividend Distribution*

Sales growth or sales growth reflects a manifestation of past success to predict future growth. Sales growth targets play a major role in top managers' perceptions. The emphasis on sales growth also provides a useful benchmark for motivating managers. Sales growth may also provide more market power that the company can use to improve performance (Brush et al., 2000). If the company's sales performance has increased and the company's growth has increased considerably, the company will need more funds and will have an effect on low or no dividend payments (Diah et al., 2016). Research by Wasike & Ambrose, (2015) shows that sales growth has a statistically significant and negative relationship with dividend policy. This points to the fact that, growing companies need more funds to finance their growth and in accordance with agency theory that sales growth does not necessarily lead to increased returns (dividends) to shareholders. Companies will pay a lower dividend to maintain their income proportion.

Sales growth better reflects the current resources and capabilities required in the operations process (Zheng et al., 2015). Resources in this case are sufficient capital to achieve the sales growth target. Sales growth in the past period is the basis for the company to maintain / improve its performance in the next period. This is done to show good business conditions and company prospects. Achieving this growth requires greater financial and non-financial capabilities. Financial capability is the need for investment in assets (current assets and / or fixed assets) to support the production process (Pranata & Pujiati, 2015). The high value of growth is reflected in the high share price of a company that attracts investors to invest in the company so that management will motivated to increase sales growth. The higher the company grows, the higher the investment fund is required. In fulfilling the need, these funds will be taken from retained earnings in a certain amount, thereby reducing the amount of earning

distributed (Jannati, 2012). Meanwhile, penelitian Darminto (2012) shows that sales growth has a positive relationship with dividend distribution. The higher the sales growth, the higher the dividends to be distributed.

**H<sub>1</sub>**: There is an effect of sales growth on dividend distribution.

#### *B. Asset Turnover and Dividend Distribution*

Total asset turnover (TATO) measures a company's sales value relative to its asset value. The TATO ratio can be used as an indicator of a company's efficiency in exploring its assets to produce income (Diah *et al.* 2016). Company productivity can be proxied by TATO. If the company's total asset turnover increases, the company's value will increase (Lumapow & Tumiwa, 2017). Thus, TATO emphasizes the important role of how companies manage assets effectively to increase revenue. Of course, the increase in the value of the company will provide promising prospects for investors.

Asset turnover in a company has an influence on the amount of dividend distribution because asset turnover reflects the effectiveness of using assets to generate maximum sales. Optimizing assets use in maximizing the company's operations to increase sales in one period will have an impact on dividends distribution to investors. The higher the asset turnover of a company means that the higher a company's ability to distribute its dividends (Diah *et al.*, 2016). Likewise, if the asset turnover of a company is low, it means that lower the company's ability to distribute dividends. The same results are shown by Prakoso & Chabachib (2016) and Deitiana (2013) in their research which states that the variable high asset turnover represented by TATO can cause an increase in dividends paid. However, it is different from the results of research conducted by Utami (2008) which states that asset turnover has a negative effect on dividend distribution because companies need funds to finance company operations, so companies tend to hold back their earnings with two alternatives rather than bear the potential crisis in the future. The two possibilities are cutting dividend payments or not paying dividends at all.

**H<sub>2</sub>** : There is an effect of asset turnover on dividend distribution.

#### *C. Net Profit Margin (NPM) and Dividend Distribution*

Profitability shows a company's ability to make a profit from sales, total assets and its own capital. Net profit margin (NPM) reflects the company's ability to produce business profits for both manufacturing and service companies. It shows the level of profit made from sales and other income. Net profit margin describes the payout ratio related to the dividend behavior of a company. High profit margins indicate higher returns and can be associated with higher dividends. Every decrease in NPM by one rupiah will reduce the amount of dividends distributed by one rupiah as well. So that a little measuring a company ability, the opportunity to pay dividends is also small. A company prefers to roll back its net profits, so the ability to distribute dividends to investors is very low (Rahmawati *et al.*, 2014). Similar research results are also shown by Lioew *et al.*, (2014) that a high NPM will allow investors to get lower dividends.

Typically, a mature and profitable company will pay dividends. However, companies that don't pay dividends are not necessarily without profits. If a company thinks that its own growth opportunities are better than the investment opportunities available to shareholders elsewhere, the company should save the profits and reinvest it into the business. Companies that manage their cash flow effectively tend to maintain and grow their dividend payments over time. Successful profit growth usually yields returns for investors in the form of higher share prices (Ahmed, 2015)

**H<sub>3</sub>** : There is an effect of net profit margin on dividend distribution.

#### *D. Return on Investment and Dividend Distribution*

In addition NPM ratio to measure a company profitability, ROI shows the rate of return on investment. This ratio shows the return or results based on the amount of assets used by a company. Return on investment is important in determining cash dividends to be paid. Return on investment, an investment variable related to profitability, suggests that it is the effect of investment policy on profitability that has a more important impact on dividend payout rates.

The company does not pay the overall net profit received during a certain period, but uses the net profit to turn it back into retained earnings and distribute a small amount of dividends to investors (Rahmawati et al., 2014). ROI is the rate of return on investment in company assets. Consistency in generating profits is very useful in anticipating the risk of decreasing profits which forces companies to make decisions to cut the amount of dividends (Kadir, 2010). Nurhayati (2013) research states that profitability has a positive effect on dividend payout. Existence this influence shows that the earnings generated by the company will affect the amount of cash dividends paid. If the profits obtained are large, it means that the dividends distributed are also large.

**H<sub>4</sub>** : There is an effect of return on investment on dividend distribution.

#### *E. Current Ratio and Dividend Distribution*

Dividend payment means a cash payment to the shareholders of a company for risks and investments made in the business. The company must have suitable income and sufficient cash to pay dividends. Therefore, cash adequacy is an important element to pay dividends, so that the company's liquidity and cash position will be greater; a liquid company will have more potential to pay dividends (Ishaq et al., 2018). The company intends to maintain liquidity to a certain degree to provide flexibility and financial protection against uncertainty.

According to Nurhayati (2013) and Malik et al. (2013) stated that the higher the CR, the company's ability to meet short-term obligations and give investors confidence in the company's ability to pay dividends. However, the research of Ishaq et al., (2018) shows that liquidity has no effect on dividend distribution.

**H<sub>5</sub>** : There is an effect of current ratio on dividend distribution.

#### *F. Debt to Equity Ratio and Dividend Distribution*

Debt to equity ratio (DER) is a debt ratio that measures a company's financial leverage. This ratio measures how much debt a company uses to finance its assets relative to its shareholder equity. DER is known from the company's total debt divided by shareholder equity (Ishaq et al., 2018). Liabilities that tend to be large can lead to large non-operating expenses in the company, thereby reducing net income, thereby reducing the ability to distribute dividends to investors (Kadir, 2010).

An increase in the company's DER value indicates an increased risk of joint equity. This is evidenced by Gill et al. (2010) in their research that company risk is negatively related to the dividend payout ratio. If the DER proxy to measure the risk of a company increases, the company will pay out lower dividends. Research by Ishaq et al., (2018) shows that leverage has no effect on dividend payout. Purweni (2013) research shows that DER has a significant effect and has a positive coefficient on dividend payout. Investments in company assets that are heavily funded by debt pose a risk, so that the company will pay dividends as compensation for the risks caused.

**H<sub>6</sub>** : There is an effect of debt to equity ratio on dividend distribution.

### III. RESEARCH METHODOLOGY

#### *A. Research Design*

This study aims to examine the effect of sales growth, TATO, NPM, ROI, CR, and DER on dividend distribution using secondary data obtained from documentation of information in the financial statements of manufacturing companies and analyzed with a quantitative approach. The research design shown in Figure 1.

All of the manufacturing companies listed on the IDX, as many as 159 companies, are the population of this study and the companies that are the research sample are 133 companies. The sample was returned using purposive sampling technique with the following criteria:

- a) manufacturing companies listed on the Indonesia Stock Exchange from 2016 to 2017,
- b) manufacturing companies whose data volatility level is not too high from each predefined variables

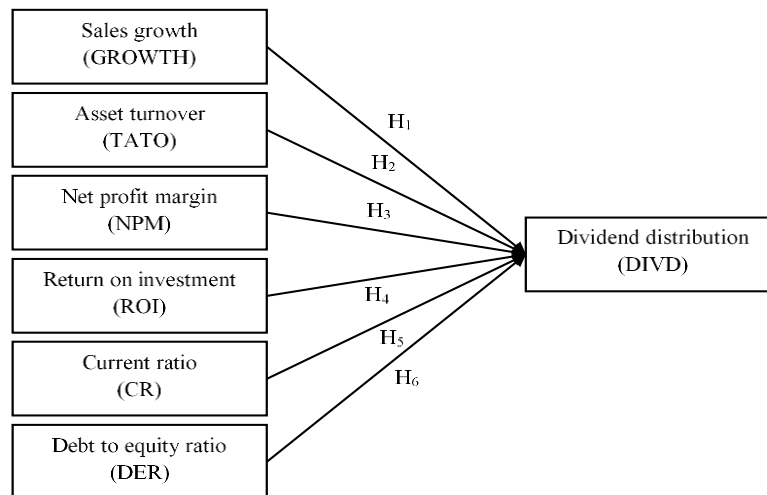


Figure 1. Research model

### B. Research Instrument

The research instrument uses the documentation method, namely collecting secondary data obtained from the financial statements of manufacturing companies listed on the IDX from 2016 to 2017. The dependent variable of the study is a dummy variable, in which companies that pay dividends are given a score of 1 and those that do not pay dividends are given score of 2 during the reporting period. To remain consistent with previous studies, measurement of each study variable adopted the indicators used by previous studies as detailed in Table 2. Measurements related to GROWTH, DER and CR were adopted from Malik et al. (2013), for the TATO variable it refers to the formula used by Lumapow & Tumiwa (2017) while NPM and ROI use the formula adopted by Rahmawati et al. (2014).

Tabel 2. Variable Definitions and Relationship Prediction

Variable	Definition	Predict
Dividend distribution (DIVID)	<i>Dummy</i> ; 1: pay dividend, 0: not pay dividend	+/-
Sales growth (GROWTH)	Current sales – previous sales/ previous sales	+/-
Asset turnover (TATO)	Net income/total asset	+/-
<i>Net profit margin</i> (NPM)	Earning after tax/net income	+/-
<i>Return on investment</i> (ROI)	Earning after tax/total asset	+/-
<i>Current ratio</i> (CR)	Current asset/current liabilities	+/-
<i>Debt to equity ratio</i> (DER)	Total debt/own equity	+/-

\*Source: Malik et al. (2013); Lumapow & Tumiwa (2017); and Rahmawati et al. (2014)

### C. Data Analysis Technique

The research data was processed using the SPSS program to obtain logistic regression results. Prior to logistic regression analysis, the researcher conducted descriptive statistical analysis and assessed the model fit. Descriptive analysis uses several measures, where the measures are frequency, mean, median, mode, standard deviation, and correlation coefficient among the research variables. The fit of the regression model was carried out using the Hosmer and Lemeshow's Goodness of Fit Test with the fit model criteria if the significance was more than 0.05 (Ghozali, 2013). Cox and Snell's R Square and Nagelkerke's R Square coefficients interpret determination coefficient ( $R^2$ ) in multiple regressions. To detect the correlation in the research model it is known from the Wald value and the significance is less than 0.05, while the magnitude of the effect is known from the beta value. The logistic regression equation model is as follows:

$$DIVID = \frac{P}{(1 - P)} = b_0 + b_1 GROWTH + b_2 TATO + b_3 NPM + b_4 ROI + b_5 CR + b_6 DER + e$$

where,  $b_0$  represents the intercept of the regression equation, and  $b_1, b_2, b_3, b_4, b_5,$  and  $b_6$  are the regression coefficients of GROWTH, TATO, NPM, ROI, CR, and DER.

#### IV. RESULT AND DISCUSSION

##### A. Model Fit Test Result

The goodness of fit test uses Hosmer-Lemeshow method to examine that the model assumed in this study has been determined correctly. That is, the data does not contradict the assumptions made.

Table 3. Hosmer and Lemeshow's Goodness of Fit Testing

Step	Chi-square	df	Sig.
1	6.255	8	.619

Based on the test results in Table 3, it shows that the Chi-Square value has a value of more than a significant value ( $> 0.05$ ), this means that the model is assumed to fit the research data observed in this study. Thus the regression model is suitable for use in further analysis. Or it can be stated that the model is able to predict the value of the observations.

##### B. Determinant Coefficient

Cox and Snell's R Square and Nagelkerke's R Square coefficients on logistic regression are interpreted to resemble determination coefficient ( $R^2$ ) in multiple regression. Likewise, the Nagelkerke's R Square value can also be interpreted as the  $R^2$  value in multiple regression. This value can be determined by dividing of Cox and Snell's R Square value with highest value. The Nagelkerke R Square value in Table 5 shows that this research model is very weak to explain the dividend distribution decisions of manufacturing companies. This explanation is only 9.4%, while 90.6% of dividend distribution decisions are influenced by factors outside of this study.

Table 4. Determinant Coefficient Result

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	189.702 <sup>a</sup>	.050	.094

##### C. Regression Coefficient Significance Testing

To understand the logistic regression results, the logistic model is analyzed by considering the given parameters, then looking at how the coefficient can estimate the data. The coefficient is number used to multiply the variable. This number aims to measure how much the independent variable in the logistic model can influence the company's decision to pay dividends. Based on Table 5, it can be seen that the logistics equation is as follows:

$$DIVID = -1.226 - 0.873 GROWTH - 0.873 TATO + 1.656 NPM + 2.945 ROI - 0.071 CR + 0.016 DER + e$$

Tabel 5. Logistic regression result

	B	Wald	Sig.	Exp(B)
Step 1				
GROWTH	-.715	1.231	.267	.489
TATO	-.873	5.122	.024	.418
NPM	1.656	1.250	.264	5.237
ROI	2.945	3.562	.059	19.005
CR	-.071	.656	.418	.931
DER	.016	1.979	.159	1.016
Constant	-1.226	9.373	.002	.293

#### *D. The Effect of Sales Growth on Dividend Distribution*

In the GROWTH variable, it seems to have a value of -0.715, which means that if the company's sales growth (GROWTH) increases by 1%, possibility of company distributing dividends (DIVID) will decrease by 0.715%, assuming that other independent variables constant. However, the logistic regression results of this study show that sales growth does not determine whether companies pay dividends or not. Thus, the first hypothesis of this study is rejected because the significant value of 0.267 is greater than 0.05.

This study shows that there is no impact between both sales growth and dividend distribution. The similar results are shown the research of Marpaung & Hadianto (2009) and Darminto (2012) that the company's sales growth does not determine the company will distribute dividends in a certain period. This is possible due to an increase in costs to pursue sales targets. Sales growth is not always accompanied by profit growth. On the other hand, dividends are payments made by a company to its shareholders as a earning distribution. Fast-growing companies will prefer to pay a lower rate of dividends and the rest will be invested in more profitable projects. For companies that are developing, it may require funds, namely company's cash for larger operations and dividends may not occur. This study also found that during the study period, companies that experienced sales growth did not always pay dividends. Increasing or decreasing sales of the company cannot make sure that the company will pay dividends.

#### *E. The Effect of Asset Turnover on Dividend Distribution*

In the TATO variable, it seems to have a value of -0.873, which means that if the company experiences a faster turnover of assets, an increase of 1%, then possibility of company will distribute dividends is lower by 0.873%, assuming that other independent variables constant. Based on the logistic regression test in Table 5, it is known that asset turnover has an effect on dividend distribution with a positive coefficient direction. This correlation is shown from a significance value of 0.024 less than 0.05.

The amount of TATO value can provide an overview for investors in estimating dividends that investors will receive. A high TATO value allows investors to get higher dividends and vice versa, a low TATO value can describe the company as paying a lower dividend or not at all. This study provides empirical evidence that the second hypothesis is accepted, namely that there is a positive effect of asset turnover on dividend distribution. A high TATO value reflects that the turnover of the company's assets occurs rapidly during one period. During operational cycle, the company optimally utilizes its assets to improve performance. The company's activities that take place quickly show that the company can continue to operate properly so that dividends are distributed according to the company's activities capacity. This study agrees with Diah *et al.* (2016), Deitiana (2013), and Prakoso & Chabachib (2016) which state that the asset turnover variable represented by TATO has a positive influence on the company's decision to distribute dividends.

#### *F. The Effect of Net Profit Margin on Dividend Distribution*

The NPM variable appears to have a value of 1.656, which means that if the net profit margin to company sales increases by 1%, the company will likely pay dividends by 1.656%, assuming that the other independent variables remain. However, the regression results show that the net profit margin has no effect on dividend distribution. The company's net profit margin in one period cannot make sure the company will pay dividends or not. Thus, the third hypothesis of this study is rejected because the significant value of 0.264 is greater than 0.05.

It is difficult to predict the company's financial level in the future, there should be more in-depth analysis to predict this. High profit margins allow the company to hold its profits to predict future profits. Companies can make policies to reduce dividends to increase current profitability. In line with Rahmawati *et al.* (2014) that companies would prefer to resurrect their net profits so that the dividend payout is lower or maybe not at all. This study found that NPM ratio does not reflect the company distributing dividends. Companies that experience high net profits tend to use their profits to finance company operations and the rest is invested in more profitable projects. Basically, the company wants maximum profit.

#### *G. The Effect of Return on Investment on Dividend Distribution*

In the ROI variable, it appears to have a value of 2.945, which means that if the turnover of profit to investment has increased by 1%, possibility of company distributing dividends is higher by 2.945%, assuming that the other independent variables remain. Based on the results of logistic regression testing that has carried out, it is found that return on investment has an effect on dividend distribution with a positive coefficient direction, although the effect is not strong because the significant value is 0.059 more than 0.05. These statistical results concluded that



the fourth hypothesis is accepted. This shows that an increase in return on investment will increase the dividend to be distributed, but an increase in return on investment that is not significant will not cause a significant change in dividend distribution decisions.

ROI used to find out how efficient a company is in using its total assets to produce sales. Total assets include all current assets such as cash, investments and receivables as well as fixed assets such as buildings and equipment. The positive effect shown by these statistical results implies that a high return on investment ratio represents the efficiency of the company using its assets to produce profits and meet investors' expectations regarding the company's future development. The ROI ratio indicates that the company is able to manage its cash to pay dividends to shareholders and provides shareholders with expectations about improving the company's future performance. This study supports the results of Nurhayati (2013) which proves that profitability has a positive effect on dividend distribution. This influence shows that the amount of profit earned will affect the amount of dividends to be distributed.

#### *H. The Effect of Current Ratio on Dividend Distribution*

In the CR variable, it appears to have a value of -0.071, which means that if the ratio of current assets to short-term liabilities of the company increases by 1%, possibility of company distributing dividends is lower by -0.07%, assuming that the other independent variables constant. However, the logistic regression results show that the current ratio is not significant to dividend distribution. Thus, the fifth hypothesis of this study is not accepted, where the significant value is 0.418 above 0.05.

The CR value shows the level of the company's liquidity in terms of paying its short-term liabilities. Regarding the decision to distribute dividends, it cannot be reflected in the company's CR value. A high CR value indicates that the company can pay its obligations well so that dividends maybe paid less or not. This study also found that companies that pay dividends do not always have high current ratios. Rahayuningtyas (2014) states that companies will prefer to use their cash to finance operational activities and pay short-term liabilities rather than distributing dividends to shareholders.

#### *I. The Effect of Debt to Equity Ratio on Dividend Distribution*

In the DER variable, it appears to have a value of 0.016, which means that if the ratio of total debt to total equity has increased by 1%, then possibility of company will pay dividends is higher by 0.016%, assuming that the other independent variables constant. However, the logistic regression test results showed no effect of DER on dividend distribution. The size of the DER value does not affect the company's dividend distribution decision. This means that the sixth hypothesis of this study is rejected, where the significant value of 0.159 is greater than 0.05.

DER, this leverage ratio shows the ratio of debt to equity. A high DER value reflects that the debt borne by the company is also high, so that the company will focus more on paying off its debts rather than deciding to pay cash dividends. This debt ratio describes the risk borne by the company. The company can pay dividends under any circumstances. Rahayuningtyas (2014) states that companies will prioritize financing operational activities and fulfilling their obligations than deciding to use cash to pay dividends.

## V. CONCLUSION

Based on the results of the analysis carried out on the first to sixth hypotheses, it shows that variables affect the dividend distribution decision are TATO and ROI. Meanwhile, analysis results of hypothesized variables GROWTH, NPM, CR and DER concluded that these four variables had no effect on dividend distribution. A high level of sales growth is not necessarily the benchmark for companies to pay higher dividends. The company may prefer to reinvest its profits into the company with aim that the company can maximize its operations and will have an impact on reducing dividends distribution. The current ratio shows how company's liquidity is in paying its short-term liabilities, so that if current ratio value is high, investors will consider their decision to invest in the company, because this ratio shows the company's focus on fulfilling its obligations. This is indicated high debt-to-equity ratio.

The implication of this research is that investors are expected to understand and pay attention to asset turnover and investment turnover because these variables are the most influencing factors in the decision to pay company dividends to their shareholders so that decisions taken are the right choices. Meanwhile, further researchers can

use or add variables that have ability to influence dividend distribution and are also able to expand the number of samples. For example, the variables return on assets and equity turnover, both of which have a strong correlation and have an effect on dividend distribution.

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