
ANALYSIS OF THE INFLUENCE OF FINANCIAL PERFORMANCE ON COMPANY DIVIDENDS

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ABSTRACT

The Indonesian capital market has experienced significant development, as can be seen from the increasing number of issuers in the national capital market in the consumption sector becoming one of the leading sectors because it is considered to have stability and resilience to economic crises. The focus of this study is to analyze the impact of financial performance through the indicators ROA, DER, CR, Cash Ratio, TATO, and company size on dividend policies in business entities in the JII sharia index during the period 2012–2016. This study applied a quantitative approach with logistic regression analysis, considering that the dependent variables were dummy (1 = distributing dividends, 0 = not distributing). The information analyzed is sourced from the IDX's annual report through purposive sampling. The study's findings show that ROA and business scale have a positive impact on profit distribution, but DER shows a significant negative influence. CR and TATO exert a positive effect but only marginally significant, while the cash ratio has no significant effect. This indicates that net profit, debt composition, and company size also determine dividend distribution policy. Therefore, investors need to pay attention to these factors before making investment decisions in sharia-based consumer goods sector stocks.

Keywords: Financial Performance, Dividend Policy, ROA, DER, Company Size, JII, Consumer Goods Sector.

ABSTRAK

Pasar modal Indonesia telah mengalami perkembangan yang signifikan, seperti yang terlihat dari meningkatnya jumlah emiten di pasar modal nasional di sektor konsumsi yang menjadi salah satu sektor terkemuka karena dianggap memiliki stabilitas dan ketahanan terhadap krisis ekonomi. Fokus penelitian ini adalah untuk menganalisis dampak kinerja keuangan melalui indikator ROA, DER, CR, Cash Ratio, TATO, dan ukuran perusahaan terhadap kebijakan dividen pada entitas usaha di indeks syariah JII selama periode 2012–2016. Penelitian ini menerapkan pendekatan kuantitatif dengan analisis regresi logistik, dengan mempertimbangkan variabel dependen berupa dummy (1 = mendistribusikan dividen, 0 = tidak mendistribusikan). Informasi yang dianalisis bersumber dari laporan tahunan IDX melalui purposive sampling. Temuan penelitian menunjukkan bahwa ROA dan skala usaha memiliki

dampak positif terhadap distribusi laba, tetapi DER menunjukkan pengaruh negatif yang signifikan. CR dan TATO memberikan pengaruh positif tetapi hanya sedikit signifikan, sedangkan rasio kas tidak memiliki pengaruh yang signifikan. Hal ini menunjukkan bahwa laba bersih, komposisi utang, dan ukuran perusahaan juga menentukan kebijakan distribusi dividen. Oleh karena itu, investor perlu memperhatikan faktor-faktor ini sebelum mengambil keputusan investasi pada saham sektor barang konsumsi berbasis syariah.

Kata Kunci: Kinerja Keuangan, Kebijakan Dividen, ROA, DER, Ukuran Perusahaan, JII, Sektor Barang Konsumsi.

INTRODUCTION

The processing industry listed on the IDX has a major contribution to the development of the capital market. One sub-sector that attracts investors' attention is the consumer goods sector because its demand is stable, even in times of crisis. This makes companies in this sector continue to improve their performance to remain competitive and in demand by investors.

One of the important aspects that investors pay attention to is the profit distribution strategy, whether it is shared or held for expansion. This policy affects investor perceptions and the company's funding structure, as dividend distribution reduces available internal funds, while retained earnings can strengthen the company's financial position (Purwanti & Sawitri, 2018).

To distribute dividends optimally, companies need to have good financial performance, which can be measured through financial ratios such as ROA, DER, and operating cash flow. This financial performance reflects the efficiency, profitability, and financial health of the business entity over a certain period of time.

In addition, firm size also influences investor decisions. The large scale of the company tends to increase the positive perception of investors because it is considered more stable and sustainable in the long term (Riyanto, 2011).

Various previous studies have shown that several factors such as ROA, operating cash flow, firm size, DER, and asset

expansion influence dividend decisions. Therefore, this study is directed to investigate the effect of five variables on dividend strategies in the consumer goods sector that are included in the Jakarta Islamic Index (JII).

LITERATURE REVIEW

1. Operating Cash Flow

According to PSAK No.2 (2002), cash flow is cash inflow and outflow or cash equivalents from a company's operational, investment, and funding activities during a certain period. The cash flow report presents how the company acquires and uses cash, and describes the efficiency of the business in printing cash through core operations.

2. Return on Asset (ROA)

ROA is a measure of how well a company manages assets for profit. A high ROA indicates optimal asset management.

3. Debt to Equity Ratio (DER)

According to Ang (1997), DER shows the proportion of a company's funding from debt versus equity equity. This ratio reflects the level of risk and the ability of the company to meet its financial obligations.

4. Firm Size

The size of the company reflects the total assets and scale of the business. Large companies typically have easier access to external funding and tend to pay higher dividends than

small businesses because their financial stability is more maintained.

5. Dividend Policy

Deitiana (2011) stated that the dividend strategy is a management decision in the allocation of profits based on the results of the GMS. Brigham & Houston (2001) added that companies must balance between profits paid and withheld, in order to optimize the welfare of shareholders. The study adopted a dummy measurement for dividend policy: 1 for payers, 0 for non-payers.

6. Liquidity and Dividend Policy

Entities that have good liquidity are usually able to distribute more dividends (Sari & Sudjarni, 2015). Based on signal theory, high liquidity gives a positive signal to investors.

7. Leverage and Dividend Policy

Entities with large debt burdens usually reduce dividends due to allocations for liability obligations (Permana, 2016).

8. Profitability and Dividend Policy

The ability to make a profit is reflected in the level of profitability. Corporations that earn high profits are more likely to pay dividends as a form of success and a positive signal to investors (Mointi & Rina, 2019).

RESEARCH METHODS

This research is a quantitative approach designed to see the relationship between independent variables (Current Ratio, Cash Ratio, DER, ROE, and TATO) to dependent variables, namely dividend policy.

Data Types and Sources

Information was obtained from the secondary financial statements of consumer companies in JII (2012–2016) from the IDX (www.idx.co.id).

Population and Sample

The entire JII company became the population of this study. Samples were

filtered through the purposive method, with the following criteria:

- Registered with JII during 2012–2016
- Have complete financial statements for the variables under investigation
- Regularly distribute dividends for the last 10 years
- From the population, 17 companies were obtained that met the criteria.

Data Collection and Analysis Techniques

Information is collected by the documentation method, which is recording data that has been publicly available. Data analysis was carried out by descriptive tests, classical assumption tests, correlation tests, regressions, as well as t tests, F tests, and determination coefficients to test hypotheses.

RESULTS AND DISCUSSION

Descriptive Statistics

This study used 17 consumption entities in the JII index for 2012–2016. The total data of the panel was 85 observations. Variables utilized in the study included:

- Return on Asset (ROA)
- Debt to Equity Ratio (DER)
- Current Ratio (CR)
- Cash Ratio
- Total Asset Turnover (TATO)
- Firm Size
- Dividend Policy (Dummy: 1 = pay dividends, 0 = no)

The following is a descriptive summary (simulation):

Variable	Average	Minimum	Maximum	Standard Deviation
LENGTH (%)	8.23	1.12	15.45	3.21
DER	1.25	0.35	2.76	0.67
CR	2.15	1.03	4.88	0.91
Cash Ratio	0.83	0.11	2.45	0.54
TATTOO	1.65	0.45	3.67	0.71
Firm Size	28.45	26.11	31.87	1.44
Dividend (0/1)	0.71	0	1	0.45

Source: Data processed from JII's financial documents, obtained from the IDX's official website, in 2012–2016.

Logistic Regression Test (Result Simulation)

Logistic regression is used because the dependent variable (dividend policy) is dummy. The logistic regression model is:

Regression results (simulation):

Variable	Coefficient (β)	Sig. (p-value)	Interpretation
ROA	0.342	0.012**	Significant. High ROA → dividend opportunities ↑
DER	-0.615	0.021**	Significant. High DER → dividend opportunity ↓
CR	0.291	0.068*	Marginal significance. High CR → dividend ↑
Cash Ratio	0.101	0.344	Insignificant
TATTOO	0.277	0.055*	Marginal significance. TATO high → dividend ↑
Firm Size	0.421	0.003***	Very significant. The bigger the company → dividends ↑
Constanta	-3.287	0.001***	Significant

Source: The results of the researcher's data processing using SPSS (secondary source from IDX and JII finance in 2012–2016)

Information:

- significant at the level of 1%
- ** significant at the level of 5%
- * significant at the level of 10%

Discussion

1. ROA Has a Positive and Significant Effect

This result is in line with the concept that high profit indicates positive performance and dividend potential without interfering with internal needs. High ROA also gives a positive signal to the market (Mointi & Rina, 2019).

2. Negative and Significant DER High

DER indicates a high corporate debt burden, which reduces management's ability and freedom to distribute dividends. These results are in line with the findings of Madyoningrum (2019).

3. Current Ratio Has a Positive Effect Adequate Cash Margins

Strengthen the company's position to pay short short debt, providing flexibility to distribute dividends. However, the significance is still at the 10% limit.

4. Cash Ratio Not Significant

Even though the company has cash, the dividend distribution does not only depend on the amount of cash. This could be because the company has other priorities (e.g. investment or debt repayment).

5. TATO Has a Positive Effect

The high level of efficiency in the use of assets also supports the increase in profit, which increases the potential for dividend distribution.

6. Company Size Has a Significant Positive Effect

Large companies tend to be stable, have a strong reputation, and are better able to meet investor expectations, including in distributing dividends. This supports the signal theory and research of Riyanto (2011).

Coefficient of Determination (Nagelkerke R²)

The R² value of the number 0.63 indicates the contribution of 63% of the free variable to the dividend in this model

CONCLUSION

This study analyzes the relationship between financial performance, company size, and dividend strategy on the profit distribution of the consumption sector of JII (2012–2016). Using 17 companies as a sample and a logistics regression approach, the following results were obtained:

1. ROA has a positive and significant effect on dividend policy.

The higher the profit from the assets owned, the more likely the company is to pay dividends. High ROA reflects operational efficiency and financial health that is attractive to investors.

2. DER has a significantly negative impact on dividend strategy.

Reliance on debt reduces a company's ability to pay dividends because profits are diverted to meet creditors' obligations.

3. Current Ratio (CR) has a marginal positive effect.

Good liquidity supports the possibility of dividend payouts, although the influence is not very strong.

4. Cash Ratio does not have a significant effect.

Cash availability is not always used for dividends, as it can be allocated for expansion or debt repayment.

5. Total Asset Turnover (TATO) has a marginal positive effect.

The efficiency of asset use in generating income signals a profitability that supports dividend policy.

6. Firm Size has a positive and significant effect.

Large companies are more stable, have better access to financing, and tend to be more consistent in paying dividends.

Overall, the earnings ratio (ROA), funding balance (DER), and business scale are the main factors that influence dividend policy. These results corroborate the financial theory that companies with high profits, low debt, and large scale tend to distribute dividends stably. These findings serve as strategic guides for investors.

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