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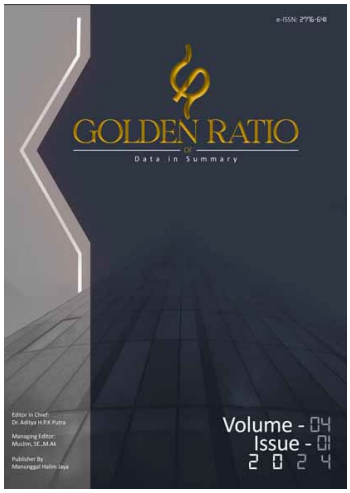

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Analyzing the Impact of Cash Position and Return On Equity on the Dividend Payout Ratio in Consumer Goods Companies Listed on the Indonesia Stock Exchange, 2019-2023

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Abstract: A company's cash position is an essential factor in determining the dividend. Return on equity, known as own capital profitability, measures the ratio of net profit after tax to the company's own capital. The dividend payout ratio measures the ratio of dividends to earnings for the company. This research population consists of 37 consumer goods industry companies listed on the Indonesia Stock Exchange in 2019-2023. Purposive sampling was used, so the sample size in this study is 18 companies. The research concludes that the cash position and the return on equity affect the dividend payout ratio.

Keywords: Cash Position, Return on Equity, Dividend Payout Ratio.

1. INTRODUCTION

Dividend policy in companies going public is a very important policy. The policy invites investors to invest in the company (source of incoming funds), which means that if the dividend payout ratio exceeds the company's ability to fund all its activities and investment projects as a whole, it will cause imbalances for company growth. The purpose of investors investing their capital in the form of shares is to maximize the wealth obtained through dividends to be distributed or through capital gains when the shares are sold. On the other hand, a company must continue to grow in order to provide higher prosperity for shareholders. To grow, the company needs more funds to fund the expansion of its investment. These funds can be obtained from various sources, both internal and external sources. Internal sources come from depreciation (assets) and retained earnings. If the company finances its investment from internal sources, as a consequence, the dividends paid are reduced and for investors who have the sole purpose of buying shares for investment, shareholders want large dividends. It is different if the investor has a speculation goal, he will tend to benefit from capital gains. Conversely, if the company uses external sources of funds, there is a tendency to distribute larger dividends. Therefore, a dividend policy is needed that meets investor expectations for dividends and that does not hinder company growth.

The company's dividend policy is reflected in its dividend payout ratio, which is the percentage of profit distributed in the form of cash dividends, meaning that the size of the dividend payout ratio will affect the investment decisions of shareholders and on the other hand affect the company's financial condition. Cash Position or liquidity of a company is an important factor that must be considered before making a decision to determine the amount of dividends to be paid to shareholders. Because dividends are cash outflows, the stronger the company's cash position or liquidity means the greater its ability to pay dividends. Cash Position is the ratio of year-end cash to earnings after tax. For companies that have a stronger cash position, the greater the ability to pay dividends. This factor is an internal factor that can be controlled by management so that its influence can be felt directly for dividend policy. The company's ability to earn profits is the main indicator of the company's ability to pay dividends, so profitability is the most important determinant of dividends. In measuring

profitability can use the Return On Equity (ROE) ratio. ROE is a ratio to measure the company's ability to generate profits by utilizing its own capital. Return On Equity is a measure that explicitly reflects the company's ability to generate profits for investors. The company will only increase dividends if earnings increase.

2. LITERATURE REVIEW

2.1. Cash Position

The cash position of a company is an important factor that must be considered, before making a decision to determine the amount of dividends to be paid to shareholders. Dividend payments are cash outflows, so the stronger the company's cash position, the greater its ability to pay dividends. Cash position is calculated based on the comparison between year-end cash balance and net profit after tax (Windasari, 2013). The company's cash position is an important factor that must be considered before making a decision to determine the amount of dividends to be paid to shareholders. Because dividends are a "cash outflow", the stronger the company's cash position, the greater the company's ability to pay dividends (Riyanto, 2011). Cash position is influenced by factors:

1. Expected company cash flow
2. Expected future capital expenditures
3. Need for additional receivables, inventory, debt reduction pattern (schedule)

The benefits and objectives of cash position are:

1. To determine the amount of funds needed in connection with long-term investment (capital expenditure) made by the company.
2. To determine the period of grace period required by the company before it is able to start making principal installments.
3. To determine the company's ability to make monthly installments of principal loans.

$$\text{Cash Position} = \frac{\text{Ending cash balance}}{\text{Net profit after tax}}$$

2.2. Return On Equity

Return on equity (ROE) or often referred to as Return On Common Equity, in Indonesian this term is often also translated as Rentability of Own Shares (Rentability of Own Capital). Investors looking to buy shares will be interested in this measure of profitability, or the share of total profitability that can be allocated to shareholders. As is well known, shareholders have a residual claim on profits. The profits earned by the company will first be used to pay interest payable, then preferred shares, and then (if there is a remainder) given to ordinary shareholders. According to Brigham and Houston (2018), Return On Equity or the ratio of net income to common equity is a ratio that measures the rate of return on ordinary shareholders' investment. Factors that affect Return On Equity or economic profitability are:

1. Profit margin, which is the ratio between net operating income and net sales.
2. Turnover of operating assets, which is the speed at which operating assets rotate in a certain period (Riyanto, 2011).

$$\text{Return On Equity} = \frac{\text{Net profit after tax}}{\text{Shareholders' equity}}$$

2.3. Dividend Payout Ratio

Dividend Payout Ratio is a ratio that measures the ratio of dividends to company profits (Darmadji and Fakhruddin, 2012). Meanwhile, the percentage of income that will be paid to shareholders as cash dividends is called the Dividend Payout Ratio (Riyanto, 2011). In general, companies will increase dividends to a level where they believe they can maintain them in the future. This means that even if the worst conditions occur, the company can still maintain its dividend payments (Atmaja, 2008). In practice, companies tend to pay dividends in relatively stable amounts or increase regularly. This policy is most likely due to the assumption that:

1. Investors see an increase in dividends as a good sign that the company has bright prospects, and vice versa. This makes the company prefer to take the safe path of not lowering dividend payments, and the company's dividend payment will be lowered.
2. Investors tend to prefer dividends that do not fluctuate (stable dividends) (Atmaja, 2008).

Dividend Payout Ratio is a ratio that describes the proportion of dividends distributed to the company's net income (Murhadi, 2019). If the dividend payout ratio is calculated on a per share basis, the calculation formula (Darmadji and Fakhruddin, 2012) is as follows:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$$

3. RESEARCH DESIGN AND METHOD

The population that will be used in this study are consumer goods industry companies listed on the Indonesia Stock Exchange in 2011-2013 totaling 37 companies. The sample is part of the number and characteristics of the population (Sugiyono, 2020). This study uses purposive sampling technique. Purposive sampling is a technique of taking a sample from a population that is thought to be the most suitable for collecting data and data collection is adjusted to predetermined criteria. Some of the criteria determined are:

1. Consumer goods industry companies listed on the Indonesia Stock Exchange (IDX) and publish financial reports in 2019-2023.
2. Consumer goods industry companies that paid dividends in 2019-2023.

Table 1. Sample Selection Procedure

Description	Total
Consumer goods industry companies listed on the IDX	37
Consumer goods industry companies that are not listed on the Indonesia Stock Exchange (IDX) and do not publish financial reports in 2019-2023	(3)
Consumer goods industry companies that did not distribute dividends in 2019-2023	(15)
Number of companies selected as research samples	19

Source: Data Processed by Researchers (2024)

The data in this study were obtained through documentation studies in the form of financial reports obtained from the official IDX website, namely www.idx.co.id. Hypothesis testing used in the study was tested using multiple linear regression analysis.

$$Y = a + b\,X11 + b\,X22 + e$$

Description:

Y = Dividend Payout Ratio

a = constant

b1, b2 = regression coefficient
X1 = Cash Position
X2 = Return On Equity
e = Standard error 5%

4. RESULT AND DISCUSSION

4.1. Coefficient of Determination Hypothesis

The coefficient of determination test is intended to determine how much the model's ability to explain the dependent variable. If the coefficient of determination (R2) is getting bigger or closer to 1, it can be said that the ability of the independent variable (X) is strong on the dependent variable (Y).

Table 2. Test Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,284[a]	,081	,059	1,23667
a. Predictors: (Constant), ln_ROE, ln_Cash_position				

Source: Research Results, 2024 (Data processed)

The coefficient of determination R Square of 0.081 or 8.1% shows the ability of regression in this study to explain the amount of variation that occurs in the dependent variable is 8.1% while 91.9% is influenced by other variables not examined in this study, for example Debt to Equity Ratio, Current Ratio and so on.

4.2. Simultaneous Hypothesis Testing

Simultaneous Test (F Test) is conducted to determine the effect between the independent variables on the dependent variable together.

Table 3. F test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11,554	2	5,777	3,778	,027[b]
	Residuals	131,524	86	1,529		
	Total	143,079	88			
a. Dependent Variable: ln_DPR						
b. Predictors: (Constant), ln_ROE, ln_Cash_position						

Source: Research Results, 2024 (Data processed)

The simultaneous / joint significance test (F statistical test) resulted in a calculated F value of 3.778. At free degree 1 (df1) = number of variables - 1 = 3-1 = 2, and free degree 2 (df2) = 86, the value of f table at the 0.05 significance confidence level is 3.10 with thus F count = 3.778 > F table = 3.10 with a significance level of 0.027. Because F count> F table and probability of significance <0.05, then Ha is accepted, meaning that Cash Position and Return On Equity together affect the Dividend Payout Ratio in consumer goods industry companies listed on the Indonesia Stock Exchange in 2019-2023.

4.3. Partial Hypothesis Testing

Partial testing (t test) is used to determine whether there is a meaningful (significant) relationship or influence between the independent variable partially on the dependent variable (See Table 4). The value of the t-estimated at a probability of 0.05 free degree n-2 = 89-2 = 87 is 1.66256, thus the partial t test results for each independent variable can be explained as follows:

1. t-calculated Cash Position of 0.879 < 1.66256 and a significance level of 0.382> 0.05, Ha is rejected, meaning that Cash Position has no effect on Dividend Payout Ratio in consumer goods industry companies listed on the Indonesia Stock Exchange in 2019-2023.
2. t-calculated Return On Equity of 2.614 > 1.66256 and a significance level of 0.011 <0.05, Ha is accepted, meaning that Return On Equity affects the Dividend Payout Ratio in consumer goods industry companies listed on the Indonesia Stock Exchange in 2019-2023.

Table 4. Test - t

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,620	,191		-3,252	,002
	ln_Cash_position	,136	,155	,091	,879	,382
	ln_ROE	,291	,111	,270	2,614	,011
a. Dependent Variable: ln_DPR						

Source of Research Results, 2024 (Data processed)

$$LN\_DPR = -0.620 + LN\_0.136\ X1 + LN\_0.291\ X2$$

The above equation can be interpreted as follows:

1. The constant of -0.620 means that if the independent variable is considered constant (fixed) then the Dividend Payout Ratio is -0.620.
2. The cash position coefficient of 0.136 means that if the cash position increases by 1 unit, it causes an increase in the Dividend Payout Ratio of 0.136 with the assumption that the other independent variables are constant.
3. The Return On Equity coefficient number of 0.291 means that if Return On Equity increases by 1 unit, it causes an increase in the Dividend Payout Ratio of 0.291 with the assumption that the other independent variables are constant.

4.4. Discussion of Research Results

Effect of Cash Position on Dividend Payout Ratio

The results of the analysis show that the Cash Position variable has no effect on the Dividend Payout Ratio. t-calculated 0.879 < 1.66256 (t-estimated) with a significance level of 0.382> 0.05. Thus Ha which states that Cash Position affects the Dividend Payout Ratio in consumer goods industry companies listed on the Indonesia Stock Exchange in 2019-2023 cannot be accepted.

The results of the study are not in line with Sartono's theory (2012: 293) that the greater the company's overall cash position and liquidity, the greater the company's ability to pay dividends. Management has two options for the net profit earned, namely: Divided to shareholders in the form of dividends, or reinvested in the company as retained earnings. In general, part of the net profit is first distributed in the form of dividends, the rest is reinvested in the form of retained earnings. From the company's point of view, the issue of paying cash dividends is a policy that must be considered carefully because this will affect other policies such as policies towards investment, financing, and so on. If the company pays too large dividends, this will reduce the source of financing from within the company to make investments. The policy towards dividends involves the decision to distribute profits or retain them to reinvest in the company. The basic stock price model shows that if the company in question pursues a policy of distributing cash dividends, this will increase the value of the company, which is reflected in an increase in the stock price. However, if cash dividends increase, there will be less funds available for reinvestment, so the expected growth rate for the future will be low and this will depress the share price. The distribution of corporate dividends to shareholders causes a company's cash position to decrease. This will cause changes in the company's capital structure, namely the debt to equity ratio (DER) will be greater. The resulting impact is that market

participants will think negatively about the company. A profitable company has relatively little incentive to pay dividends in order to have more internal funds to finance its investment projects.

Effect of Return On Equity on Dividend Payout Ratio

The results of the analysis show that the Return On Equity variable affects the Dividend Payout Ratio. t-calculated 2.614 > 1.66256 (t-estimated) with a significance level of 0.011 <0.05. Thus Ha which states that Return On Equity affects the Dividend Payout Ratio in consumer goods industry companies listed on the Indonesia Stock Exchange in 2019-2023 can be accepted.

Return On Equity measures the absolute return that the company will provide to shareholders. A good Return On Equity will bring success to the company which results in a high share price and allows the company to easily attract new funds. This allows the company to expand, create suitable market conditions, and ultimately will provide greater profits thereby creating high value and sustainable growth in the wealth of its owners (Walsh, 2004). ROE is a comparison between the amount of profit available to owners of equity capital on the one hand and the amount of equity capital that generates that profit on the other hand. A high ROE reflects the company's good profitability, which can also be said to be a good company performance condition. The amount of ROE is the basis for consideration of the company owner to determine the amount of profit earned will be distributed as dividends or retained to reinvest in the company.

5. CONCLUSIONS

In the research conducted on consumer goods industry companies listed on the Indonesia Stock Exchange over the period 2019-2023, several key findings were uncovered regarding the impact of cash position and Return On Equity (ROE) on the Dividend Payout Ratio. The analysis revealed that, on a partial basis, the cash position does not exert a significant influence on the dividend payout ratio. Conversely, ROE has a significant partial effect on the Dividend Payout Ratio. Furthermore, when both cash position and ROE are analyzed simultaneously, these factors significantly influence the dividend payout ratio. Based on these findings, several recommendations can be proposed for different stakeholders. First, for investors seeking dividends from a company, it is crucial to consider the ROE as a primary indicator. Second, companies should strive to maintain ROE stability by sustaining optimal corporate liquidity levels. Lastly, future research could broaden the research population to include companies from other sectors, such as the manufacturing industry, to gain a more comprehensive understanding of the dynamics affecting the dividend payout ratio.

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