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The Effect of Current Ratio, Debt to Equity Ratio, and Return on Assets on Dividend Policy Industrial Consumption Goods Sector Companies Listed in The Indonesian Stock Exchange Year 2013 – 2016

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ABSTRACT

The aim of this study is to investigate and analyze the influence of Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on the Dividend Payout Ratio (DPR) of the consumer goods companies that have been listed in Indonesia Stock Exchange (IDX). The population of this study is thirty companies. Using the purposive sampling method, nineteen consumer goods companies were listed in the Indonesia stock exchange from 2013 to 2016 as the sample. In this study, the method of data analysis is used: descriptive analysis, Multiple Linear Regression Analysis, Test Assumptions Classical, F-test, Coefficient of Determination, and t-test. The result obtained by using regression concluded that CR, DER, and ROA do not influence DPR.

Keywords: Dividend Payout Ratio, Current Ratio, Debt to Equity Ratio, Return on Assets

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INTRODUCTION

The economic development of a country can be measured in many ways, one of which is by knowing the level of development of the world capital market and securities industries in that country. The capital market is a market for various long-term financial instruments in the form of equity and debt with maturities of more than one year (Lisa, 2009). In every investment activity, investors are inevitably faced with conditions that are uncertain and full of risk. Investors will consider which company they will invest the best in when investing capital. For this reason, investors should have extensive information. Information that is indeed relevant. Fundamental information, both accounting information and market information, affects earnings. In particular, information regarding financial conditions is in the form of financial reports from the company where the investor invests or invests part of his capital or shares. To see the prospects for future profits. The main objective of investors in investing in shares or investing capital in a company is to get a rate of return (Ansorimal et al., 2022; Lumbantoruan et al., 2021; Sari et al., 2021) on investment, namely in the form of profits, dividends, or capital gains.

According to Fahmi (2012:81), Shares are one of the capital market instruments that are most in demand by investors, because they are able to provide attractive rates of return. Shares are paper that clearly states the nominal value, and the name of the company, and is followed by the rights and obligations explained to each holder.

Manufacturing companies are the main support for industrial development in a country. The development of the manufacturing industry in a country can also be used to see the development of industry nationally. This development can be seen in terms of the quality of the products produced and the industry's performance as a whole. Manufacturing is divided into three sectors, namely: (1) Basic Industry & Chemical Sector. (2) Miscellaneous Industrial Sector. (3) Consumer Goods Industry Sector.

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
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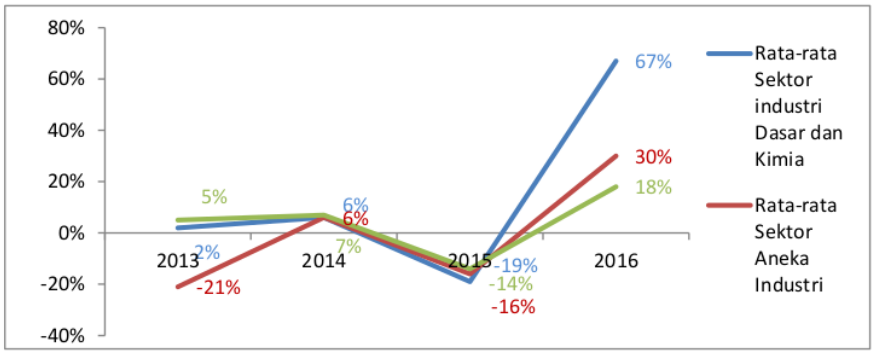


Source: Processed Data, 2017

Figure 1. Average Stock Return in the Manufacturing Sector

If you look at Figure 1 above, the average return on manufacturing stocks tends to fluctuate. In 2013, the average stock return in the basic chemical industry sector was 2%, while the average stock return in the miscellaneous industry sector was -21%, while the average stock return in the consumer goods industry sector was 5%. In 2014 the average stock return in the basic chemical industry sector was 6%, while the average stock return in the miscellaneous industry sector was 6%, and the average stock return in the Consumer Goods Industry sector was 7%. In 2015, the average stock return in the Basic Chemical Industry Sector was -19%, while the average stock return in the various industries sector was -16%, while the average stock return in the consumer goods industry sector was -14%. In 2016 the average stock return in the basic chemical industry sector was 67%, while the average stock return in the miscellaneous industry sector was 30%, and the average stock return in the consumer goods industry sector was 18%.

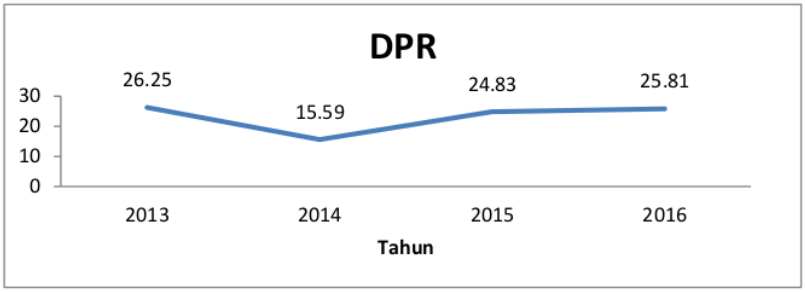
The average share return in the consumer goods industry sector in 2013 was the highest compared to other sectors, namely 5%. In 2014, stock returns were still the highest, namely 7%. In 2015, stock returns experienced a decline that was not too far compared to other sectors, namely -14%. Meanwhile, in 2016, stock returns increased but not as high as other sectors, namely 18%.

The consumer goods industry is one part of manufacturing companies in Indonesia. The consumer goods industry is still the main choice for investors to invest their funds. This is because the shares of companies in the consumer goods industry still offer the potential for increases also the consumer goods industry consists of 5 sub-sectors, namely the food and beverage sub-sector, the cigarette sub-sector, the pharmaceutical sub-sector, the cosmetics and goods sub-sector household, and household equipment sub-sectors.

All sub-sectors in the consumer goods industry are producers of basic consumer needs products, such as food, drinks, medicine, and toiletry products. The products produced are consumptive in nature and people like them so producers in this industry have high sales levels which also has an impact on the growth of this industrial sector.

The dividend payout ratio generated in the consumer goods industry sector which was sampled in research on the Indonesia Stock Exchange in 2013-2016 is as follows:

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
Volume 2, No. 2, May 2024, page 391-401
Online ISSN: 2988-5590 Print ISSN: 3021-7563



Source: Processed Data, 2017

Figure 2. Development of Consumer Goods Industry Dividends

Dividends in the consumer goods industry sector tend to fluctuate from year to year. This is due to the instability of the company's cash position. Even though the company earns high profits, if the cash position shows a poor condition, the company may not be able to pay dividends.

The company's dividend policy is reflected in the dividend payout ratio, namely the percentage of profits distributed in the form of cash dividends which will be distributed to shareholders. Dividend policy influences the growth of a company. If a company wants to retain most of its income in the form of retained earnings within the company, this will cause dividend payments to be smaller, thus it can be said that the higher the dividend payout ratio set by the company, the smaller the funds that will be reinvested in this company. meaning it will hinder the company's growth (Riyanto, 2011: 266).

In general, investors' main goal in investing their funds in a company is to seek income or return on investment, namely in the form of dividend income. In such conditions, every company is required to be able to operate with a fairly high level of efficiency in order to maintain excellence and competitiveness in an effort to generate as optimal a net profit as po

In determining dividend policy, it is necessary to pay attention to several factors including; operating cash flow, profit levels, investment opportunities, transaction costs, and income taxes.

One of the pieces of information needed by investors in making investment decisions is financial reports. Financial reports are a source of information that communicates the financial condition of the company's operating results in a certain period to various interested parties.

Handayani (2010) Investors have the main goal in investing, namely to obtain returns which can be in the form of dividends or income from the difference between the selling price of shares and the purchasing price (capital gain). Sugiono (2009) states that dividends are the distribution of company income which is the right of shareholders which can be in the form of cash, assets, or other forms. Gitosudarmo and Basri (2008) Dividend policy is a policy for distributing profits to shareholders which will be distributed in the form of dividends and the amount of retained earn.

This research uses financial ratio variables in predicting dividend policy. Financial ratios are used as research variables because financial ratios are one of the analytical tools needed to measure the condition and efficiency of company operations in achieving company goals, namely net profit.

The phenomenon that occurs in dividend policy can be seen from the decisions made by company managers regarding the use of profits obtained by the company, namely how large a portion of profits are distributed to shareholders as dividends and how large portions of profits are used as retained earnings for investment spending. In conditions of unbalanced information, company managers can use strategies in dividend policy. The dividend policy that will be decided by the company manager concerns decisions regarding the number of dividends and in what form the dividends will be distributed by the company to shareholders. This dividend policy also determines the decision whether all profits are distributed to shareholders or retained in the form of retained earnings for future investment spending (reinvestment).

Problems in dividend policy have a very important impact on shareholders and companies that will pay dividends to investors. In general, investors have the main goal of improving their welfare, namely by expecting returns in the form of dividends or capital gains (Suharti & Murwaningsari, 2024; Suyono et al., 2020; Vina et

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
Volume 2, No. 2, May 2024, page 391-401
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al., 2021). On the other hand, the company also hopes for continuous growth to maintain the continuity of the company's operations and at the same time provide greater welfare to its shareholders.

The reason for choosing a research location in companies in the consumer goods industry sector is because this sector can survive the global crisis and is a leading branch of the manufacturing industry. This industry has an important role in the development of the industrial sector, especially its contribution to the growing GDP. Apart from that, the characteristics or traits of society tend to help maintain the consumer goods industrial sector.

Setiowati's (2013) research examined the influence of the Current Ratio, Debt to Equity Ratio, Earning Per Share, and Return on Assets on the Dividend Payout Ratio, showing that the variables Current Ratio, Debt to Equity Ratio, Earning Per Share, and Return on Assets had an effect on Dividend Payout Ratio, while Sumiadji (2011) in his research on Return On Assets, Current Ratio, Debt Equity Ratio, Earning Per Share and Total Assets Turn Over on Dividend Payout Ratio, shows that Return On Assets and Debt Equity Ratio have no effect on Dividend Payout Ratio, while the Current Ratio, Earning Per Share and Total Assets Turn Over influence the Dividend Payout Ratio. Mukodim (2013), in his research on Free Cash Flow, Debt to Equity Ratio, and Current Ratio to Dividend Payout Ratio. Shows results where Free Cash Flow and Current Ratio have no effect on the Dividend Payout Ratio. Meanwhile, the debt-equity ratio has an effect on the Dividend Payout Ratio.

The objectives to be achieved from this research are: (1) To analyze the influence of the Current Ratio on the Dividend Payout Ratio in the Consumer Goods Industry on the Indonesian Stock Exchange in 2013-2016. (2) To analyze the influence of Debt to Equity on the Dividend Payout Ratio in the Consumer Goods Industry on the Indonesian Stock Exchange in 2013-2016. (3) To analyze the effect of Return on Assets on the Dividend Payout Ratio in the Consumer Goods Industry on the Indonesian Stock Exchange in 2013-2016.

LITERATURE REVIEW

Financial ratios are very important in analyzing the company's financial condition. Financial ratios are numbers obtained from the comparison of one financial report item with other items that have a relevant and significant relationship (Harahap, 2008:297).

There are two ways that can be used to compare company financial ratios, namely the crosssocial approach and time series analysis. A cross-sectional approach is a way of evaluating by comparing the ratios between one company and other similar companies at the same time. Benchmarking using a cross-sectional approach can also be done by comparing the company's financial ratios with the industry average ratio (the firm's ratio to the industry average). Time series analysis is carried out by comparing the company's financial ratios from one period to another. Comparing the ratios currently achieved with past ratios will show whether the company is experiencing progress or decline. The company's development can be seen in trends from year to year, so by looking at this development the company can help plan for the future.

The following are the advantages of financial ratios (Harahap, 2008:297): (1) Ratios are numbers or statistical overviews that are easier to read and interpret. (2) Ratios are a simpler substitute for the information presented by very detailed and complicated financial reports. (3) Can find out the financial position among other industries. (4) Ratios are very useful as ingredients in filling decision-making models and prediction models (Z-Scores). (5) Can standardize the size (Fadrul et al., 2023; Hocky et al., 2023; Wijaya et al., 2023) of changes. (6) It is easier to compare the company with other companies or see the company's development periodically or "time series". (7) It is easier to see company trends and make predictions for the future.

Liquidity Ratio According to Kasmir (2012:130) The liquidity ratio often also called the working capital ratio is a ratio used to measure how liquid a company is. The method is to compare the components on the balance sheet, namely total current assets with total current liabilities (short-term debt). The assessment can be carried out over several periods so that the development of the company's liquidity can be seen from time to time.

The liquidity of a company is an important factor that must be considered before making a decision to determine the amount of dividends that will be paid to shareholders (Lisa, 2009).

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
Volume 2, No. 2, May 2024, page 391-401
Online ISSN: 2988-5590 Print ISSN: 3021-7563

Current Ratio Kasmir (2011:134) states that the current ratio is a ratio to measure a company's ability to pay short-term obligations or debts that are immediately due when they are collected in full. In this case, creditors pay attention to the company's liquidity level. When a company gets funds from creditors, the company's current ratio will directly decrease. Vice versa, if the company pays off its short-term liabilities, the current ratio will increase.

Jumingan (2011:123) states that the current ratio is a ratio that is commonly used in financial report analysis. The current ratio provides a rough measure of a company's level of liquidity.

The current ratio is obtained by calculating total current assets divided by short-term liabilities. This ratio shows the company's ability to pay its short-term obligations using its current assets. Based on the explanation above and also from the bird in hand theory, so, it can be concluded that the higher the level of liquidity of a company, the greater the level of dividends received by investors.

To measure the Current Ratio, the formula is used:

$$\textit{Current ratio} = \frac{\text{Aktiva Lancar}}{\text{Hutang Lancar}}$$

Solvency Ratio

According to Kasmir (2012: 151) Solvency ratio or leverage ratio is a ratio used to measure the extent to which company assets are financed with debt. This means how much debt the company bears compared to its assets. In a broad sense, it is said that the solvency ratio is used to measure a company's ability to pay all its obligations, both short and long-term, if the company is dissolved (liquidated).

In this research we will useDebt to Equity Ratioto find out how much capital is owned by shareholders. This ratio reflects the company's ability to fulfill all obligations as indicated by the portion of its own capital used to pay debts.

Debt to Equity Ratio

According to Kasmir (2008:157) Debt to Equity Ratio (DER) is the ratio used to calculate the value of debt versus equity. Debt to Equity Ratio(DER) is a variable that defines what proportion of a company's capital whose funding source comes from loans or credit.

An increase in debt will in turn affect the size of the net profit available to the company shareholders including the dividends they will receive, because this obligation takes priority over dividend distribution. If the debt burden is higher, the company's ability to distribute dividends will be lower, so DER has a negative influence on the dividend payout ratio. The debt-to-equity ratio is calculated by total debt divided by total equity (Jensen et al., 2012:59).

Using debt that is too high will endanger the company because the company will fall into a category of extreme leverage (extreme debt) namely the company is trapped in a high level of debt and it is difficult to get rid of the debt burden.

Kasmir (2011:157) defines the Debt to Equity Ratio as the ratio used to assess debt with equity. This ratio is found by comparing all debt, including current debt, with all equity. This ratio is useful for knowing the amount of funds the borrower (creditor) and the company owner provides. In other words, this ratio functions to find out every rupiah of own capital used as collateral for debt.

To measure the Debt to debt-equity ratio, the formula is used:

$$\textit{Debt to Equity Ratio} = \frac{\text{Total Hutang}}{\text{EkuitasPemegang Saham}}$$

Profitability Ratio

Profitability ratios are one way to accurately assess the return level obtained from investment activities (Arilaha, 2009). Profitability ratios measure a company's ability to generate profits at certain levels of sales,

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
Volume 2, No. 2, May 2024, page 391-401
Online ISSN: 2988-5590 Print ISSN: 3021-7563

assets, and share capital. Profitability is the relationship between income and costs using the company's productive assets in the form of current assets and fixed assets.

The company's strengths and weaknesses can be identified through profitability ratios. Manager Companies are expected to have the ability to manage the company to gain profits maximized through all existing capabilities and resources such as sales activities, capital cash, number of employees, number of branches, and so on in an efficient manner.

Return on Assets

Return On Assets (ROA) is a ratio used to measure a company's ability to generate profits from investment activities (Mardiyanto, 2009). This ratio is used to measure management's ability to obtain overall profits (profit) (Dendawijaya, 2013:63).

ROA is the net tax profit ratio which also means a measure to assess how big the rate of return is from the assets owned by the company (Bambang, 2010:79). Return on assets (A positive ROA) shows that the total assets used for company operations are able to provide profits for the company. On the other hand, if ROA is negative, it shows that the total assets used are not providing a profit. In other words, the higher this ratio, the better the asset productivity in obtaining net profits. This will further increase the attractiveness of the company and can increase dividend distribution to investors.

Return on Assets is a better measure of profitability than gross profit, operating ratio, revenue on sales because this measures operational efficiency. This ratio shows the company's effectiveness in using assets in accordance with its control to create income.

Dividends will be distributed if the company makes a profit. The higher is Return on Assets the possibility of distributing dividends will also increase. Return on Assets has an influence on dividend policy. Dividends are part of the net profit earned by the company, therefore dividends will be distributed if the company makes a profit. Before distributing profits in the form of dividends to shareholders, the company must first pay its obligations such as interest and taxes. Therefore, dividend distribution is taken from the company's net profit after paying interest and taxes. Return on Assets compares net profit after tax and total assets. The return on total assets or total investment shows management's performance in using company assets to generate profits.

Profitability is the level of net profit that a company can achieve when carrying out its operations. To measure Return on Assets, the formula is used:

$$Return\ on\ Assets = \frac{\text{Laba bersih setelah pajak}}{\text{Total Aktiva}}$$

Dividend Policy

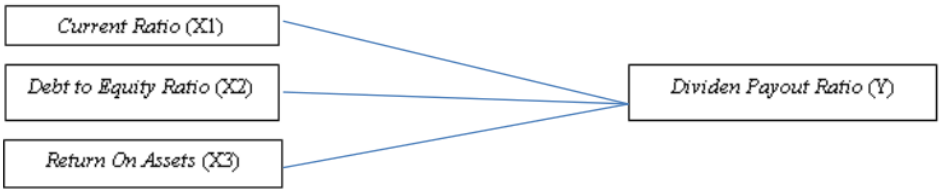
The company's dividend policy is depicted dividend payout ratio, namely the percentage of profits distributed in the form of cash dividends which will be distributed to shareholders. Dividend policy influences the growth of a company. If a company wants to retain most of its income in the form of retained earnings within the company, this will cause dividend payments to be smaller, thus it can be said that the higher the dividend payout ratio set by the company, the smaller the funds that will be reinvested in this company. meaning it will hinder the company's growth (Riyanto, 2011: 266).

The size of the dividend payout ratio will influence the investment decisions of shareholders and on the other hand, will influence the company's financial condition. Considerations regarding the dividend payout ratio are thought to be related to the company's financial performance. If the company's financial performance is good, the company will be able to determine the size of the dividend payout ratio in accordance with the expectations of shareholders. Shareholders who don't like risk will prefer to receive dividends rather than capital gains. Current dividends have a higher value than capital gains that will be received in the future.

Dividend payments (dividend payouts) are essentially an indirect communication to shareholders about the level of profitability achieved by the company. This payment is taken from a portion of the profits obtained by the company in its operating activities. Meanwhile, the other part will be invested in more profitable things. Related to this, financial managers as people in companies who have monopolistic information channels about

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
Volume 2, No. 2, May 2024, page 391-401
Online ISSN: 2988-5590 Print ISSN: 3021-7563

cash-flow companies, however, should choose to create clear communication signals about the company's future if they have the right incentives to do so. One good communication signal is through dividend payments.



METHODOLOGY

In this research, we will observe public companies listed on the Indonesian Stock Exchange. The objects of this research are companies belonging to companies operating in the consumer goods industrial sector listed on the IDX from 2013-2016. The research period took place from January to November 2017. The data collection technique used the documentation method, namely by collecting data, from journals, or financial reports related to the needs of this research. This research data comes from the Indonesian Stock Exchange, Indonesian Capital Market Directory (ICMD), Central Statistics Agency (BPS), and Indonesian Stock Exchange(IDX) data obtained from the website.

Data analysis technique

Descriptive Analysis

This descriptive analysis is used to provide a description of the research variable data used in this research. The data seen is the amount, minimum value, maximum value, and average value. Descriptive analysis is a part of statistics that is used to describe or describe data without the intention of analyzing or making conclusions but only explaining that group of data.

Normality test

The normality test aims to test whether, in the regression model, confounding or residual variables have a normal distribution (Ghozali, 2011: 160). The normality test was carried out using the Kolmogorov-Smirnov approach. By using a significance level of 5% and 10%, if the value of Asymp.Sig. (2-tailed) above a significance value of 5% and 10% means that the residual variable is normally distributed. the following conditions: (1) If Asym. sig < significance level, then the residual is not normally distributed. (2) If Asymp. sig > significance level, then the residuals are normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether, in the regression model, a high correlation is found between the independent variables (independent). A good regression model should not have a high correlation between independent variables. If independent variables are correlated with each other, then these variables are not orthogonal. Orthogonal variables are independent variables that have a correlation value between independent variables equal to zero. Multicollinearity can be seen in the tolerance value and VIF (Variance Inflation Factor) value. Multicollinearity does not occur if the tolerance value is more than 0.100 and the VIF (Variance Inflation Factor) value is less than 10. If multicollinearity does not occur then the analysis can continue (Ghozali, 2011: 105).

Heteroscedasticity Test

The heteroscedasticity test aims to test whether, in the regression model, there is an inequality of variance from the residuals of one observation to another observation. If the variance from the residual from one observation to another is constant, it is called homoscedasticity and if it is different it is called heteroscedasticity. A good regression model is one that is homoscedastic or does not have heteroscedasticity. To determine whether there is heteroscedasticity, the Glejser test is carried out. The Gjelser test is carried out by regressing the absolute value of the residual against the independent variable. If the independent variable

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
Volume 2, No. 2, May 2024, page 391-401
Online ISSN: 2988-5590 Print ISSN: 3021-7563

statistically significantly influences the dependent variable, then there is an indication of heteroscedasticity (Ghozali, 2011: 139-143). Independent variables that statistically significantly influence the dependent variable are indicated by the error rate probability value (Sig.

Autocorrelation Test

The autocorrelation test is used to determine whether there is a correlation between members of a series of observations that are ordered, according to time (time series data) or space (cross-section data). Several factors that cause autocorrelation are the exclusion of other independent variables, for example in a regression model. The model should consist of three independent variables and one dependent variable, in making the model two independent variables are included. To detect whether there is autocorrelation or not in a regression model, this is done using Durbin Watson.

Model Test (F calculated test)

The F test is carried out to test whether the independent variables together (simultaneously) have an effect on the dependent variable of the f-test statistical formula, namely:

$$F = \frac{R^2 : (k-1)}{1 - R^2 : (n-k)}$$

Information:

R2 = Determination coefficient

n = Number of samples

k = Number of independent variables

Coefficient of Determination (R2)

In the multiple linear regression test, the magnitude of the regression coefficient (R2) is also analyzed. R2 is used to measure the best accuracy of multiple regression analysis. If R2 approaches 1 (one), it can be said that the stronger the model is in explaining variations in the independent variable on the dependent variable, conversely if R2 approaches 0 (zero), the weaker the independent variations on the dependent variable.

Partial Test (t-test)

The partial test (t-test) was carried out to partially test the influence of all independent variables on the dependent variable. This statistical test is formulated:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Next, the obtained tcount is compared with ttable. If tcount > ttable then Ha is accepted and Ho is rejected, which means that the independent variable partially has an influence on the dependent variable. Vice versa, if tcount < ttable then Ho is accepted and Ha is rejected, which means that the independent variable partially has no significant effect on the dependent variable.

RESULTS AND DISCUSSION

The object of this research is manufacturing companies in the consumer goods industry sector on the Indonesian Stock Exchange. The population in this study were manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (BEI) in the 2013-2016 period. This research used a sample of 19 consumer goods industry companies.

Proceeding of International Conference on Business Management and Accounting (ICOBIMA)
Volume 2, No. 2, May 2024, page 391-401
Online ISSN: 2988-5590 Print ISSN: 3021-7563

Multiple Linear Regression Analysis

Table 1. Results of Multiple Linear Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	31.319	12.916		2.425	.018
Current Ratio	-.038	.027	-.204	-1.396	.167
Debt to Equity Ratio	-18.127	8.471	-.308	-2.140	.036
Return on Assets	1.691	.404	.492	4.184	.000

Source: Processed Data, 2017

Based on the results of the data processing above, the multiple linear regression equation is obtained as follows: Y = 31.319 - 0.038X1 - 18.172X2 + 1.691X3

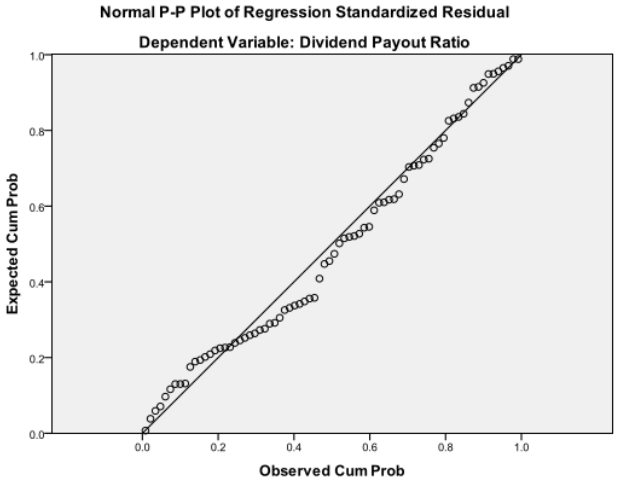
From the regression model, it can be explained that:

Regression coefficient Current Ratio of 0.038 and has a negative sign. This means that unit changes in the Current Ratio Assuming other variables remain constant, changes will follow the dividend Payout Ratio of 0.038 in the opposite direction. A negative coefficient means that there is a negative relationship between CR and DPR. Where the increased Current Ratio will lower the Dividend Payout Ratio.

The regression coefficient Debt to Equity Ratio amounting to 18,172 and has a negative sign. This means that for every one-unit change in Debt to Equity Ratio Assuming other variables remain constant, changes will follow the Dividend Payout Ratio to reach 18,172 in the opposite direction. A negative coefficient means that there is a negative relationship between DER and DPR.

The ROA variable is a tcount of 0.492 while the ttable is 2.109. So tcount > ttable with a significance value for the ROA variable of 0.000 which is smaller than 0.10. So Ho is accepted and H1 is rejected, so it can be concluded that partially ROA has no significant effect on DPR

Classic Assumption Test



Source: SPSS processed data, 2017

Figure 4. Normality Test Results

CONCLUSION

Based on the results of simultaneous analysis, Current Ratio, Debt to Equity Ratio and Return on Assets influence the Dividend Payout Ratio. These three variables, namely, the Current Ratio, Debt to Equity

Ratio, and Return on Assets factors are able to explain the contribution of influence to the Dividend payout Ratio of 30.7%, and the remaining 69.3% are explained by other variables that are not included in the regression model. Based on the results of partial analysis, Current Ratio, Debt to Equity Ratio and Return on Assets have no effect on the Dividend Payout Ratio.

Based on the research conducted, regarding the influence of the Current Ratio, Debt to Equity Ratio and Return on Assets on the Dividend Payout Ratio in Consumer Goods Industry Sector Companies listed on the IDX, several suggestions are put forward which are expected to be useful for future researchers, including: (1) For Investors are expected to be able to consider accounting information other than financial ratios before deciding to invest in consumer goods industrial sector companies listed on the IDX. (2) The Company is expected to pay attention to the Current Ratio, Debt to Equity Ratio, and Return on Assets in determining the company's dividend policy, especially in determining the amount of dividends to be distributed to shareholders. (3) For further research, if you want to research the same theme, it is recommended that researchers use research that is broader in scope (beyond accounting) by including new variables into the research model.

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