FACTORS AFFECTING CASH DIVIDEND: EMPIRICAL STUDIES ON THE PROPERTY COMPANIES LISTED IN THE INDONESIA STOCK EXCHANGE PERIOD 2010-2013

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Abstract

Industry competitiveness for the companies that have already listed increased. Therefore, dividend payment is an important decision. In general, dividend payment consists of cash dividend and stock dividend. Many factors that impact dividend payment and that matters become concern in this research, especially cash dividend. This paper's objectives is for analyzing factors that impact on dividend payment on the property companies that listed in the Indonesia Stock Exchange (IDX) period 2010-2013. Independence variables that utilized on this paper are cash ratio, earning per share, and return on investment. Sampling methodology that utilized is purposive sampling with samples total eleven companies. Analysis method is quantitative method, regression analysis panel data. Research result explain that cash ration, earning per share, and return on investment significantly impact cash dividend.

Key words : *Cash Ratio, Earning per Share, Return on Investment,* Cash Dividend

Introduction

Dividend declaration is one of important factor that management may be pay attention for operating the company. Since, dividend declaration has significant impact on stakeholders, both of self owned companies or other parties such as stockholders and creditors. For the companies, dividend declaration will trigger cash outflow so that avalible funding for operating and investing will be decreased. On the other hand, for the stockholders, dividend is return on investment. For creditors, dividend declaration is positive signal which the companies has ability to meet the obligation for interest and the principles. The public will be in the perspective that the company which has ability for dividend payment is a credible entity.

Several experts has explained several teories regarding cash dividend. Based on Ross, Westerfield dan Jaffe (2010), generally main objective for investor in the investment is return in term of dividend (dividend yield) or differences between purchase and selling price of stock (capital gain). In addition, based on Darmadji dan Fakhrudin (2006), dividend is distribution of profit that given by the issuing companies for the operating profit. In addition, the company's goal is to increase the prosperity of the shareholders or owners (Sutrisno, 2013). Prosperity shareholders are shown in the form of increasing the share price is a reflection of the investment decision, financing and the dividend policy. Therefore, the prosperity of our shareholders are used as the basis for analysis and action of rational decision-making processes. Maximizing profits as the company's goals, but it can not achieve the target of maximizing the wealth of shareholders, which is more important is not profit but earnings per share.

The size of a company to pay dividends to shareholders depends on the dividend policy of each company and is based upon consideration of various factors. Cash dividend policy determinants become so complicated and include the management and also shareholders. Many factors are taken into consideration dividend policy makes it difficult to conclude which factor is the most significant influence on cash dividends. It can come from internal factors and external factors. Internal factors and external factors need to be considered because there is the possibility of a reduction in dividend payments could be interpreted that the company's prospects deteriorate. External factors, among others, government regulation, inflation and political and social stability of the countries concerned. While the corporate internal factors include the company's liquidity position, the need for funds to pay the debt, the stability of the dividend, the level of profit achivement in the company and sales turnover (Riyanto, 1995).

The research data obtained from the IDX showed the property company in Indonesia, many of which do not pay dividends continuously during the period 2010-2013, even though the company makes a profit. The level of the company paying the dividends do not reach 50% of companies that pay dividends continuously from 55 property companies listed on the Indonesia Stock Exchange. By looking at the background of the problem, and previous studies, the authors motivation in conducting this study was to determine the extent of the effect of the cash ratio, earnings per share and return on investment of the cash dividend on property companies listed on the IDX.

Literature Review

In the purposes for data in this study can be measured, then the review of the literature discussing the definition of the variables used in the study. This study uses two (2) variables, namely the independent variables and the dependent variable. The independent variables consist of cash ratio, earnings per share and return on investment and the dependent variable is the cash dividend.

Cash Ratio

Cash ratio is one measure of the liquidity ratio means a company's ability to pay its short term obligations (current liabilities) through a number of cash (and cash equivalents, such as current accounts or other deposits at banks which can be withdrawn at any time) of the company. The higher the cash ratio shows the company's ability to meet cash (pay) short-term liabilities (current liability). Increasing cash ratio can also increase the confidence the company to pay a dividend that is expected by the investor (Brigham, 1989).

The results of this research are consistent with the results of research conducted by Lubis (2009), where the results showed positive effect of the cash ratio to cash dividends. When the companies are more liquid, payment obligations and dividend distribution by the company are greater than less than liquid.

Earning per Share (EPS)

Earnings per share (EPS) is the ratio between the net profit after tax divided by the number of shares owned. EPS of a company can be used as an indicator for assessing whether a company is able to increase its profits, which means it can increase the wealth of its shareholders. The greater the net income after taxes generated, then the earnings per share in the number of shares being constant, will be greater. As a result, the greater the company's ability to pay cash dividends to shareholders (Baridwan, 2004).

The research conducted by Sunarto and Kartika (2003) showed that earnings per share has positive effect on cash dividends. Therefore, if earnings per share increase, the shareholders have the expectation that the company will have the ability to divide the cash dividend.

Return on Investment (ROI)

Return on investment is a good measure for evaluating the ability of the company or in achieving profitability targets are modest. Return on investment (ROI) is the quotient between the net profit before tax to total assets. For shareholders greater return on investment shows the company's performance is getting better, so normal that shareholders expect a distribution of cash dividends if the return on investment increases. The company's liquidity will affect the size of the dividend paid so that the stronger the company's liquidity position against the prospect of the funding requirements in the future, the higher the cash dividends paid. Thus the stronger the company's liquidity position, the ability to pay dividends will be greater (Widoyono and Putri, 2011).

Research conducted by Widoyono and Putri (2011) showed that the return on investment has positive effect on cash dividends. Since the higher return on investment, may reflect the high ability of the company to generate profits.

Dividend

Rudianto (2012) explained a dividend is part of the operating profit from the company and given by the company to its shareholders in exchange for their willingness to instill his wealth in the company. On the other hand, the dividend is the company's profits in the form of a limited liability company that is given to the stockholders.

The amount of dividend given is declared in the shareholders' meeting and expressed in an amount or a percentage (%) on a certain nominal value of shares and not on the market value (Rodoni and Ali, 2010).

The most common dividends distributed by the company is in term of cash. Taking into consideration for the Director of the company before making the declaartion of the cash dividend is whether there is sufficient amount of cash for the dividend distribution. According to Widoadmodjo (1996), the dividend is part of a given company's profit to shareholders, either in the form of cash dividends and stock dividend. Cash dividend is a dividend paid by the company to the shareholders in cash for each page (dividend per share), while the dividend shares (stock dividend) is the dividend paid or divided into shares, which is calculated for each share.

Hypothesis Development

Position cash ratio is an important variable to be considered by management in dividend policy. Payment of the dividend is a cash outflow, high availability of cash flow will enable the company to focus more on dividend payments or settle debts to reduce agency costs. Therefore,the stronger the company's cash ratio, the greater the ability to pay dividends.

Lubis (2009) states that a cash dividend is cash outflow. Therefore, the company pays a dividend to shareholders reuired to has available cash that is pretty much in order not to reduce the level of liquidity of the company. For the company with unfavorable liquidity conditions, it usually pays a small dividend. Based on the description, it can be proposed hypothesis as follows:

H_1: Cash ratio has positive effect on cash dividends

Earning per share is the total profits earned investors for each share. Total profit is measured from the ratio between the net profit after tax (earnings after tax) to the number of shares outstanding. The net profit calculated after deducting dividends to preferred (preffered stock). The greater the earnings after tax, the revenue per share cash dividend to be received by the common sharesholders (common stock) was also greater (Widoyono and Putri, 2011). This is because if the dividend for minority shareholders and the number of outstanding shares (common stock) is relatively fixed.

Sunarto and Kartika (2003) stated that the earnings per share of a company can be used as an indicator to assess whether a company is able to increase its profits, which means increasing the wealth of its shareholders from the profit it will be determined how much profit will be retained. So if earnings per share increase, the shareholders have the expectation that the company will have the ability to declare the cash dividend. Based on the description, it can be proposed hypothesis as follows:

H_2: Earning per share has positive effect on cash dividends

Return on investment (ROI) is the effectiveness of the company in profit from the use of fixed assets used for operations (Widoyono and Putri, 2011). The greater the return on investment shows the company's performance is getting better, because the level of return of investment (return) greater. As noted earlier stage, that the return received by investors may be dividends and capital gains. Thereby increasing the return on investment will also increase the dividend income (mainly cash dividend).

General measurement of return on investment derived from earnings after tax (EAT) and a total investment of operating assets. The amount of earnings after tax (EAT) were obtained from the income statement, while the total investment that is used in this study is total fixed assets (net), which is used for operating activities of the company are reflected in the balance sheet (assets side / assets). Partington (1989) indicates that the variable that is measured from the investment of fixed assets (net) operations can be used to predict the cash dividend policy. Based on the description, it can be proposed hypothesis as follows:

H_3: Return on investment has positive effect on cash dividends

Based on the description above, the following can be described conceptual framework.

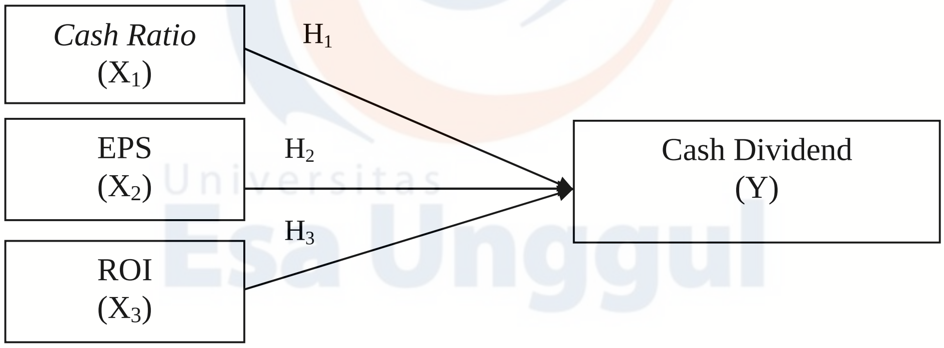

Figure 1
Model and Hypothesis

Research Methodology

This research was carried out at a property company listed on the IDX 2010-2013. The aspects studied is the cash ratio, earnings per share and return on investment of the cash dividend.

The study was conducted in 2015 by quantitative descriptive analysis method and causal. Data collected by the data accessing the company's annual Financial Statements of the period 2010-2013 were obtained from the Indonesian Capital Market Directory (ICMD) as well as sites Indonesia Stock Exchange IDX were processed.

Analysis technique used is the panel regression analysis is a combination of cross-sectional and time series. For testing the data analysis in this study, using a statistical analysis multiple regression analysis using software Eviews 8. Then, the analysis results are interpreted subsequently given conclusions and suggestions.

Measurement

In this study the variables measurements using the following formula.

Cash ratio is the ratio used to measure a company's ability to meet its short term obligations through a number of cash and cash equivalents of the company (Harahap, 2009). This ratio systematically using the formula:

$$\textit{Cash Ratio}\ (X_1) = \frac{\textit{Cash + Cash Equivalent}}{\textit{Current Liabilities}}$$

Earning per Share (EPS) is a ratio used to measure earnings per share are calculated from the total profit (EAT) to the number of shares outstanding (Sunarto and Kartika, 2003). This ratio systematically using the formula:

$$\text{EPS}\ (X_2) = \frac{\text{Earning after Taxes (EAT)}}{\text{Shares Outstanding}}$$

Return on Investment (ROI) is a ratio to measure a company's ability to generate profit after tax of the total investment that is used by the company (Sunarto and Kartika, 2003). This ratio systematically using the formula:

$$\text{ROI}\ (X_3) = \frac{\text{Earning after Taxes (EAT)}}{\text{Total Investment (Assets)}}$$

Cash dividends are dividends paid in cash by the company to each shareholder (Sunarto and Kartika, 2003). This ratio systematically using the formula:

$$\text{Cash Dividend (Y)} = \frac{\text{Total Cash Dividend}}{\text{Shares Outstanding}}$$

Data Collection Technique

Data used in this research is secondary data. Data were obtained from the records, books, magazines, corporate publications such as financial reports, government reports, articles, books theory, magazines, and other collected and processed directly by the researchers using Microsoft Excel software tools.

Population and Samples

The population of this entire property company listed on the IDX during 2010-2013. Total population 55 companies. The sample is selected with purposive sampling method, i.e the property companies listed on the IDX 2010-2013 period that always presenting the financial statements during the period of observation.

Result And Explanation

Based on testing panel data result, concluded that the best model is Fixed Effect Model (after going through a series of Chow test and Hausman test). Classical assumption test performed (Multikolinearitas, Heteroskedastisitas and Autocorrelation), and there is no breach of testing (meet requirement).

Table 1 shown regression test panel data with Fixed Effect Model (FEM). On the table is analysed several hypothesis that previously explained.

Table 1
Panel Data Regression Test Result

	Variable	Coefficient	Nilai (T hit)	Nilai T Tabel	Significant	Remarks
	Konstan	-20,56584	-3,258749	2,42326	0,0014	
H_1	CR	0,322538	5,516359	2,42326	0,0000	Diterima
H_2	EPS	0,192727	7,182033	2,42326	0,0000	Diterima
H_3	ROI	289,3955	2,877621	2,42326	0,00365	Diterima

Result of Hypothesis 1

Test results obtained by value t (t statistics) cash ratio of 5.516359, which means greater than the value t table of 2.42326 with probability equal to 0.0000 (0.0000 / 2) the mean is greater than the value of alpha 1%, it can be concluded that the H0 is rejected, which means that the variable cash ratio has significant and positive impact on the cash dividend.

The results are consistent with the results of research conducted by Lubis (2009), where the results of research cash ratio (CR) showed a significant and positive effect on the cash dividend (cash dividend). This study proved the company's higher cash ratio, the greater the ability to pay dividends.

Result of Hypothesis 2

Test results obtained by value t (t statistics) earnings per share amounted to 7.182033, which means greater than the value t table of 2.42326 with probability equal to 0.0000 (0.0000 / 2), which means greater than the value of alpha 1%, it can be concluded that the H0 is rejected, which means that the variable earning per share significant and positive impact on the cash dividend.

The results are consistent with the results of research conducted by Sunarto and Kartika (2003), where the results of research that earnings per share showed a significant and positive effect on the cash dividend. Dividends will be paid if the company's net profit. Therefore, dividends taken from the net profits obtained by the company, then the gain will affect the amount of the dividend.

Result of Hypothesis 3

Test results obtained by value t (t statistics) return on investment amounted to 2.877621, which means greater than t table probability of 2.42326 to 0.00365 (0.0073 / 2) the mean is greater than the value of alpha 1%, it can be concluded that the H0 is rejected, which means that the variable return on investment significant and positive impact on the cash dividend.

The results are consistent with the results of research conducted by Widoyono and Putri (2011), where the results of his research that the return on investment showed a significant and positive effect on the cash dividend. Thus this ratio indicates the effectiveness of the use of funds from the turnover seen in a period. The greater the turnover ratio the more effective use, so it will increase the company's ability to generate profits.

Managerial Implication

Managerial implications are ideas, entries can be submitted to the management of the place do that research, when it was discovered weaknesses, shortcomings and problems that might hinder the growth and development of a business, for example, in this study was to determine the factors that influence cash dividends on property companies listed on the IDX.

The findings in this study indicate the things that need to be considered, either by the management company in the management of the company, by investors in determining investment strategy. Expected for company owners, investors and prospective investors can pay attention to the following.

First, the cash ratio shows that the increase in the number of cash and cash equivalents in the company, it will increase the cash dividend. The amount of the company's ability to meet its short term obligations reflected in the high cash ratio of the company. The more liquid the company, the greater the likelihood of payment obligations and dividend distribution by the company. This led to the use of cash ratio to one of the base used by investors in making the right decision to invest in order to obtain the expected cash dividends. Cash ratio (CR) can help property management to pay more attention that the company's debts arising from the manufacture of the company's long-term decision to invest in property can still be resolved or not by the amount of cash held company. Property management can more appropriately allocate the company's debts into investments that can increase the amount of cash and cash equivalents.

Second, earnings per share can give a prediction of the amount of the dividend (cash dividend) to be received by shareholders and for consideration by management in the payment of cash dividends. Increased cash dividend can be reflected in high earnings per share of the company. When a company is growing, generally positive earnings from such profits, companies can increase the payment of cash dividends that the company will obtain a positive assessment from investors. Earning per share (EPS) can assist property management to be able to make a profit growing by finding out the factors that underlie the company's profit, so the company can project future earnings based on causes that can increase profits. In addition, earnings per share can assist management in designing the distribution of dividend payments and the company's business in the long-term profit improvement.

Third, the high return on investment (ROI) reflects the high ability of the company to generate profits by utilizing the fixed assets used in the operations. Hence the greater the return on income received by the company, the greater the cash dividend which will be given by the company to shareholders. Return on investment (ROI) can be used by management to create a new project. Management is required to make a decision on an investment property that will increase the rate of return the company. Management can also do the planning and the right strategy in allocating the cost, so the cost is used appropriately and efficiently.

From this description are expected for company owners, investors and prospective investors can pay attention to the following: first, the need for policy-making companies the right to produce the expected profit companies. Second, restrictions in debt agreements in accordance with the company's ability to repay the obligation. Third, pay attention to adequate funding strategies in making long-term company policy, thereby reducing the risk of large losses for companies which results in giving the company cash dividend. Fourth, understand the opportunities and risks that will be faced in investing in a company. Furthermore fifth, Should better understand the company's dividend policy so that potential investors and investors a better understanding of the funds will be invested and predict the benefits received by investors in investing in the company.

Conclusion

Based on the sample obtained from the analysis conducted, how the influence of cash ratio, earnings per share and return on investment of the cash dividends and how much the independent variables (cash ratio, earnings per share and return on investment) is able to explain the dependent variable (cash dividends) on property companies listed on the Indonesia Stock Exchange 2010-2013. From the results of hypothesis testing is done using panel data regression analysis with three independent variables (cash ratio, earnings per share and return on investment) and one dependent variable (the dividend) on property companies listed on the Indonesia Stock Exchange Period 2010-2013, it can be concluded have the following: first, the results of testing the cash ratio, earnings per share and return on investment significant and positive impact on cash dividends on property companies listed on the Indonesia Stock Exchange 2010-2013. The next second, the R-Squared value of the regression model showed that the ability to form independent variables consist of cash ratio, earnings per share and return on investment in explaining the dependent variable cash dividend rest can be explained by other variables. Having done research on the factors affecting cash dividend which make the process of distribution of dividends continuously annually in property company listed on the Indonesia Stock Exchange (BEI) 2010-2013 This, the researchers gave some suggestions to the further research to be conducted a similar study first, in this study using the variables that affect cash dividend measured by cash dividends as the dependent variable (bound), while the independent variable (independent) used is the cash ratio (CR), earnings per share (EPS) and return on investment (ROI). In subsequent studies, are expected to use different variables or more varied, so that research results produced can provide new knowledge about the factors that affect the cash dividend (cash dividend). Then the second, this study used a sample of 11 (eleven) Property Companies that make the process of continuous dividend distribution each year. The next research can be used with different sample sizes that make the process of distribution of dividends so that the results obtained will be more representative of the existence of all companies listed on the Indonesian Stock Exchange (BEI). Third, this study using panel data regression model with Fixed Effect Model (FEM) as a tool of analysis. For their next study may use other analytical methods are different. Furthermore, the fourth, in the study period were used during 4 (four) year period from 2010 to 2013. Further research is expected to renew the period used and can increase the time span of the study period, so that the results obtained can be maximized and accurate.

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