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Analysis of Cash Position Effect, Debt to Equity Ratio, Return on Assets, And Loan to Deposit Ratio, Net Call Money Over Pay-out Ratio Dividends

(Case Study of Banking Companies Listed on the Indonesia Stock Exchange in 2012 - 2018)

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Dividend policy is the most controversial topic in the context of corporate finance, where the variables that influence it are still uncertain in the literature. Thus, in this study aimed to analyze the effect of cash position, debt to equity ratio, return on assets Loan To Deposit Ratio, and Net Call Money on dividend pay-out ratios, as well as providing information and pictures to investors whose investment objectives are to pursue dividends based on variables. Here, we obtain the observation data form 7 banking companies listed at Indonesia Stock Exchange and actively distributed dividends from 2012 to 2018. The results showed that the variable cash position, debt to equity ratio, and net call money had a positive and significant effect on dividends pay-out ratio, and return on assets, loan to deposit ratio, and a negative and significant effect on the dividend pay-out ratio on data regression.

Keywords: Bank, Cash Position, Debt to Equity Ratio, Return on Assets, Loan To Deposit Ratio, Net Call Money, Dividend Payout Ratio.

1. INTRODUCTION

Dividend policy is one of the most debated issues in modern corporate finance and is still a puzzle often unresolved problems in corporate finance. Furthermore, the more difficult we see dividends the more they look like puzzles with pieces that don't fit between each other [1, 2]. A controversial source despite years of theoretical and empirical research [3, 4]. This can be interpreted that dividends are an element important in shareholder stock returns [5, 6]. Companies must determine the right policy to deal with issues related to dividends. Here, each company can be sets different dividend policies. The company needs to make a policy about the amount of profit to be distributed to shareholders or commonly called the Dividend Payout Ratio (DPR), and the amount of profit that will be retained by the company. In banking companies, profits are usually generated from the excess interest earned from debtors. But bank profits are not only derived from interest but also obtained from Freebase Income (FBI), bonds, foreign exchange. It can be concluded that the profit of the banking sector can be made as cash which will be reused in the form of investment or provide debt. The bank's cash sources can come from other banks, foreign companies, and deposits from individuals and institutions [7, 8]. A company including banking is successful in running its business, where the company will benefit [9, 10]. The profit can come from earnings income that can be used to reinvest it into operational assets, pay off debt, or can be distributed to shareholders in the form of dividends. On the investor side, the need to receive dividends is the main motive in buying shares. In subscribing for shares the company must consider the fundamental conditions of the company in question. Some variables that influence dividend payments are considered to influence it in the same direction, such as if there is an increase in the company's profitability variable, it will be assumed and proven to increase the dividend payout ratio of any company [11, 12, 13]. Similar to the liquidity variable, some researchers concluded that there was a positive relationship with dividends, while some appeared with a negative relationship [14, 15].

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In previous studies the examined dividends using independent variables namely debt to asset ratio, firm size, free cash flow, growth, firm risk, ownership structure, previous year's dividends, and return on assets using classical data analysis linear regression model (CRLM) in private commercial bank companies listed on the Dhaka Stock Exchange Limited in Bangladesh for the last 11 years from 2005 to 2015 [16, 17]. The independent variable profit before interest and tax (profitability), current ratio, size, and debt to total assets ratio by using multiple regression and Pearson correlation data analysis in Nigerian banking companies listed on the Nigerian Stock Exchange in 2004-2013 [18, 19]. Thus, in this research we are expected to be a reference for scientific studies on the analysis of the influence of cash position, debt to equity ratio, return on assets Loan to deposit ratio and net call money to dividend payout ratio and can find out the variables of company performance that can affect dividend payment in near future.

2. METHODOLOGY

Dividend policy is a decision on whether a company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance investment in the future [20]. Dividend policy is considered as complex data that must be given to shareholders in returning the investment made previously. Company management usually deducts profits to maintain the level of past profits paid by the company. This unique perspective of increasing and reducing dividends identifies opportunities for corporate speculation [21]. Profit management has been saved as ten main imperative classes in the account [22]. At the point when the organization makes profits, management strives to diversify and disburse such profits wisely in terms of dividend payments or holding income for the use of capital or other business opportunities. This dividend policy includes a decision whether profits earned by a company during a period will be distributed to investors as dividend income or will be reinvested as part of retained earnings [23]. Dividend policy depends on how much profit sharing between the income received by the company for dividend payments to shareholders or the company makes it in the form of retained earnings [24]. The many dividend theories have been put forward, as these theories explain how dividend decisions are accepted and whether they have an impact on firm value. Different perspectives for dividends have been suggested, this includes conservatives who believe that paying dividends increases the value of the company, radical groups who believe that it reduces the value of the company while those who believe that it does not affect the value of the company [25]. There is a theory which states that dividends are irrelevant to firm value (dividend irrelevance theory) with the capital market is in good condition, there is rational investor behavior, certainty, where dividend payments are not related to firm value [26]. This irrelevant theory assumes that in an ideal business world there is no conflict of interests between managers and investors, and all information and access are easily obtained by investors. Likewise, with the transaction costs when buying and selling shares there is no difference between the tax rate for dividends and capital gains, therefore in this policy dividends follow investment decisions and result in dividends having no effect on the value of the company. The financial statements are an important source of information about the company's financial performance, financial condition, and management of resources [27, 28]. The financial statements are one of the products of the accounting system needed to make economic decisions [29]. This report is used to provide information to investors in ensuring the possibility of evaluating the company's past performance effectively assessing and predicting possible future profits in achieving high investment volumes. The financial statements are used as information purposes to determine whether earnings quality influences investor decisions [30]. In this study, the financial statements taken based on research variables include the variable cash position (CP) which is part of the liquidity ratio where cash is the basic input needed to start and run a business, each business venture is based on how management has planned its cash position. A shortage of cash will disrupt the company's operations and even lead to bankruptcy. Therefore, companies must need to maintain a healthy cash position [31]. The debt to equity ratio (DER) is a ratio that shows the percentage of fund provisions by shareholders of the lender [32]. The greater the ratio of debt to equity (DER), the greater the loan capital that will cause the greater the debt burden (interest costs) that must be borne by the company. Increased debt burden from company profits will be reduced. Debt to Equity Ratio (DER) reflects the company's ability to fulfill all its obligations, which is indicated by what proportion of capital is used to pay debts. In other words, this ratio is used to determine the share of capital as collateral for the overall debt of the company or to assess the amount of debt used by the company. Companies that have large leverage ratios must pay smaller dividends because the profits obtained are used to pay off obligations first [33]. The companies with high financial leverage tend to have low dividend payments [34]. Profitability is the company's ability to make a profit. Therefore, it is logical to consider profitability as a threshold factor and profitability as one of the most significant variables in explaining dividend payment decisions. The hypothesis provides several explanations for the relationship between dividend payments and profitability, considering the costs associated with debt issuance and the unfavorable equity financing of companies that find it difficult to pay dividends while highly profitable companies are in a situation to generate funds internally to finance investment needs and pay dividends [35]. One of the profitability variables is Return

on Assets (ROA). ROA is a ratio used to measure the effectiveness of a company in generating profits by exploiting its assets. This ratio is also often used as a tool to measure the rate of return on total assets after interest expense or tax [36]. Loan to Deposit Ratio (LDR) which is the ratio of loans to deposits is a ratio of liquidity to measure bank credit funds, especially from the public. LDR which is targeted according to BI Law No. 18/14 / PBI / 2016 has a minimum limit of 80%, and a maximum limit of 92%. Banks that have a high excess LDR percentage for example more than 110% will get liquidity problems because loans are evaluated as productive assets of less liquid banks [37]. Net call Money (NCM) is an interbank loan that occurs during the clearing process. In clearing transactions conducted by Bank Indonesia, there are always workdays and there are always losers and winners. Banks that lose clearing if they cannot cover their losses will be subject to sanctions from Bank Indonesia. Therefore, in order not to be affected by sanctions due to lack of liquidity, the bank can borrow money from other banks that we know by the name of interbank call money or call money. The credit period ranges from 1 day to 7 days. Giving call money can be in the form of one day call money (overnight) which must be paid in 1 day. Call money can also be in the form of two-day money calls where the repayment period is 2 days. The dividend payout ratio (DPR) variable is the percentage of dividends per share divided by net income per share. The dividend itself is the net profit value of the company after taxes less retained earnings as a company reserve. In general, the current dividend amount is based on last year's dividend amount [38].

A. Cash Position (CP) Against Dividend Payout Ratio (DPR)

Cash position is the ratio of end of year cash to income after tax [39]. The cash position (CP) reflects the availability of cash from a company. The availability of cash is an important factor in determining the number of dividends to be paid to investors. Cash dividends are cash outflows for companies. Therefore, if a company adopts a policy to pay cash dividends to its investors, then there must be enough cash to make payments [40]. The company liquidity is one of the main considerations in dividend policy because dividends for companies are cash outflows, the greater the company's cash position and overall liquidity, the greater the company's ability to pay dividends [41]. Some several studies or studies show a positive relationship between cash position and dividend distribution. Several previous studies have predicted that cash position affects dividend policy. The position or cash flow has a significant and positive influence on dividend policy [42, 43, 44]. Thus, the hypothesis is:

H_1: Cash position has a positive and significant effect on the dividend payout ratio.

B. Debt to Equity Ratio (DER) Against Dividend Payout Ratio (DPR)

Debt to Equity Ratio (DER) reflects the company's ability to fulfill all its obligations, which is indicated by what proportion of capital is used to pay debts. The greater the ratio of debt to equity (DER), the greater the loan capital that will cause the greater the debt burden (interest costs) that must be borne by the company. Increased debt burden from company profits will be reduced. Thus, the ratio of debt to capital (DER) has a large impact on the size of the company's ability to distribute or generate high profits [45]. The debt to equity ratio has a negative and significant effect on the dividend payout ratio [46, 47, 47]. Thus, the hypothesis is:

H_2: Debt to Equity Ratio has a negative effect on the dividend payout ratio

C. Return on Assets (ROA) Against Dividend Payout Ratio (DPR)

Return on Assets (ROA) is a measure of how efficiently a company uses its assets to generate revenue. Growth in asset returns shows growth in ROA, which means ROA shows changes in company efficiency in using assets to generate profits [48]. This ratio can also help investors to get an idea of the efficiency of the company that how efficient management uses its assets to generate profits. This ratio was chosen to explain that profitability is the goal of every business and previous studies also use this determinant and are found as important variables that influence dividend payments [49]. The variable return on assets negatively affects the dividend payout ratio. Thus, the hypothesis is:

H_3: Return on Assets has a negative effect on the dividend payout ratio.

D. Loan to Deposit Ratio (LDR) Against Dividend Payout Ratio (DPR)

Loan to Deposit Ratio (LDR) which is the ratio of loans to deposits is a ratio of liquidity to measure bank credit funds, especially from the public. LDR which is targeted according to BI Law No. 18/14 / PBI / 2016 has a minimum limit of 80%, and a maximum limit of 92%. A high ratio of loans to deposits reduces liquidity position, especially in the form of cash [50]. It can be concluded that this high ratio will not be in a position to pay high dividends [50]. The loan to deposit ratio has a negative and significant effect on the dividend payout ratio [51]. Thus, the hypothesis is:

H_4: Loan to Deposit Ratio (LDR) has a negative effect on the Dividend Payout Ratio (DPR).

E. Net Call Money (NCM) Against Dividend Payout Ratio (DPR)

Placement/borrowing of short-term funds (in days) between banks. Call money is a bank instrument in dealing with short-term temporary shortfalls or excess funds. For banks that place Call Money are Bank Assets, and for banks that accept Call Money placements are liabilities (Debt or Liabilities). The high net call money means that companies borrow a lot of money from other companies so that there is a lot of money that will be reprocessed to make loans to other companies [52]. Thus, the hypothesis is:

H_5: Net Call Money (NCM) has a positive effect on the Dividend Payout Ratio (DPR).

3. RESULT AND DISCUSSION

The design used in this study is a quantitative approach because it requires a systematic approach to the relationship between variables that focuses on testing hypotheses using statistical tools to conduct the test. The variables used in this study are five variables consisting of one dependent variable namely Dividend Payout Ratio (DPR) and four independent variables namely Cash Position (CP), Debt to Equity Ratio (DER), Return on Assets (ROA), Loan to Deposit Ratio (LDR) and Net Call Money (NCM). The operational definitions and measurement scales of the research variables (see in Table I).

Table I. Testing of Structural Model Relations

ariable Name	Definition of Variable Operations	Measurement Method	Scale
Dependent : ividend Payout Ratio (DPR)	Dividends per share divided by net income per share	$DPR = \frac{Dividend\ per\ share}{earning\ per\ share} \times 100$	Ratio
ndependent : Cash Position (CP)	Cash and cash equivalents (end of the year) divided by net profit after tax	$CP = \frac{Cash\ and\ cash\ equivalent}{earning\ after\ tax}$	Ratio
Debt to Equity Ratio (DER)	Total debt divided by total capital (equity)	$DER = \frac{Total\ debt}{Total\ equity}$	Ratio
turn on Assets (ROA)	Net profit after tax divided by total assets	$ROA = \frac{Earning\ after}{-tax\ total\ Assets} \times 100$	Ratio
oan to Deposit Ratio (LDR)	Third-party loans divided by total third party funds	$LDR = \frac{Third\ party\ credit\ amount}{Third\ party\ total\ funds} \times 100$	Ratio
et Call Money (NCM)	Net Call Money divided by current assets	$NCM = \frac{Net\ Liability}{Current\ Assets} \times 100$	Ratio

The purposive sampling data collection techniques with the population used in this study were 7 banks that published financial statements and were listed on the Indonesia Stock Exchange from 2012 to 2018 and actively distributed dividends. Testing in this study was carried out with the help of statistical software. Hypothesis testing uses multiple linear regression test and a pre-test panel data regression test is used to determine whether the structure has a significant relationship or not. Regression analysis data used in this study is data that has been selected from the three models, namely Pool Least Square (PLS), Fixed Effect (FE), and Random Effect (RE), then proceed with the Blue Test (multicollinearity, heteroscedasticity, and autocorrelation). If in the Blue Test the best model still has problems with multicollinearity, heteroscedasticity, and autocorrelation, a Robust Test is performed to provide the test output used to correct classical assumptions. This is done if the selected estimation model is Pooled Least Square and Fixed Effect which can be performed by this Robust Test. If the selected Random Effect model does not need to be tested again because GLS-regression has been processed before. On the output model of the selected model can be used as data interpretation of the results of regression Thus, the hypothesis assessment is showed in Table II.

Table II. Hypothesis Results

Hypothesis	Hypothesis Statement	Remark
H_1	*Cash position has a positive and significant effect on the dividend payout ratio*	Data support the hypothesis
H_2	*Debt to Equity Ratio has a negative effect on dividend payout ratio*	Data support the hypothesis
H_3	Return on Assets has a negative effect on the dividend payout ratio	Data support the hypothesis
H_4	Loan to Deposit Ratio (LDR) has a negative effect on Dividend Payout Ratio	Data supports the hypothesis
H_5	Net Call Money (NCM) has a positive effect on Dividend Payout Ratio	Data support the hypothesis

In this study, the object of research is 7 Banking companies that are active in dividend distribution and are listed on the Indonesia Stock Exchange in 2012-2018. The list of banking companies can be seen in Table III.

Table III. Banking companies that actively distribute dividends in 2012-2018

NO	COMPANY'S NAME	EMITTEN CODE
1	BCA	BBCA
2	BANK NEGARA INDONESIA	BBNI
3	BANK RAKYAT INDONESIA	BBRI
4	BANK TABUNGAN NEGARA	BBTN
5	BANK JAWA BARAT BANTEN	BJBR
6	BANK JAWA TIMUR	BJTM
7	BANK MANDIRI	BMRI

The panel data regression method used in this study is based on three models, namely Pool Least Square (PLS), Fixed Effect (FE) and Random Effect (RE) which model will be used in this study for further analysis, then a paired test is performed on each model. The pair test results for each model can be seen in Table IV below.

Table IV. Model Estimation Test Results

Effect Test	Prob > F	The best model		
		Determination Test	Prob > Chi^2	Description
Pool Least Square (PLS)	0,0010	Chow Test (PLS vs FE)	0,0000	*Fixed Effect*
Fixed Effect (FE)	0,0014	LM Test (RE vs PLS)	0,0000	*Random Effect*
Random Effect (RE)	0,0033	Hausman test (FE vs RE)	0,5131	*Random Effect*

From Table IV above has been proven from the results of testing the best model estimation shows that the Random Effect model is the best model with a probability of 0.0000 <0.05 on the LM Test and a probability of 0.5131 <0.05 on the Hausman test. It can be concluded that the Random Effect model can be used as a model for further testing, namely testing the interpretation of regression results. However, before continuing to test the interpretation of the regression results, the Random Effect model was tested by the Blue Test. Blue Test results can be seen in Table V.

Table V. Blue Test Results

Blue Test	Multicollinearity	Heteroscedasticity
Mean VIF	22,17	
Prob > Chi^2		0,0000

Table V shows The Blue Test results have been proven that the selected Random Effect data model is free from heteroscedasticity, but in tests with a probability of 0,000 <0.05 which means it still has a multicollinearity problem of 22.17. Therefore, Robust Test is performed to overcome the problem of classical assumptions and GLS-regression tests to get the best final model data and used as data interpretation of the regression results. The best regression test data can be seen in Table VI.

Table VI. GLS Test Regression Results

Cross-Sectional time-series FGLS regression

Coefficients: gerenalized least square

Panels: homoskedastic

Correlation: no autocorrelation

Number of obs = 49

Estimated = 1 Number of groups = 7

Estimated autocorrelations = 0 Time periods = 7

Estimated coefficients = 6 Wald chi2(4) = 28,59

Prob > chi^2 = 0,0000

dpr	Coef.	Std. Err.	z	P> |z|	[95% Conf.	Interval]
ncm	**10,62215**	**11,22439**	**0,95**	**0,344**	**-11,37725**	**32,62156**
ldr	-0,1057898	0,3801687	-0,28	0,781	-0,8509067	0,6393271
roa	-2,366002	7,72768	-0,31	0,759	-17,51198	12,77997
der	-2,904449	1,707519	-1,70	0,089	-6,251125	0,4422268
cp	**3,18607**	**0,8776977**	**3,63**	**0,000**	**1,465814**	**4,906326**
_cons	42,74732	53,39448	0,80	0,423	-61,90394	147,3986

Table 6 showed the best regression data results above show that the results of the regression analysis on the independent variables on the dependent variable with the regression equation are as follows:

DPR = 42.7473 + 3.1860 CP it - 2.9044 DER it - 2.3660 ROA it - 0.1057 LDR it + 10.6221 NCM it

Based on Table 6 above, the estimated return on assets variable value with coefficient value - 2.3660, debt to equity ratio with a value of -2.9044, and loan deposit ratio with a value of -0.1057 all have a negative and significant effect on the dividend payout ratio with a probability <0.05. While the cash position variable with a coefficient value of 3.186 and net call money with a value of 10.6221 has a positive and significant effect on the dividend payout ratio with a probability <0.05.

Thus, the hypothesis obtained after testing the Cash Position, Debt to Equity Ratio, Return on Assets, Loan Deposit Ratio, Net Call Money to Dividend Payout Ratio. In this study, using the cash position variable which is part of the liquidity ratio where cash is the basic input needed to start and run a business, each business venture is based on how management has planned its cash position. A shortage of cash will disrupt the company's operations and even lead to bankruptcy. Therefore, companies must need to maintain a healthy cash position. Where in this study the cash position has a significant positive effect on the dividend payout ratio. When the flow is high, it is most likely that the company shares high dividends as well. Thus, the debt to capital ratio (DER) has a large impact on the size of a company's ability to distribute or generate high profits. In this study, the debt to equity ratio has a negative effect on the dividend payout ratio. The debt to equity ratio has a significant negative effect on the dividend payout ratio. It can be concluded that the higher the ratio of debt to equity owned by a company, the company will tend to distribute a small number of dividends to shareholders. The increase in debt will affect the size of the net income available to shareholders, including dividends to be received because the debt payment obligations are prioritized over dividends, the higher the meal debt the lower the distribution of dividends, the use of debt is too high will endanger the company because the company will fall into the extreme debt category. Growth in asset returns shows growth in ROA, which means ROA shows changes in company efficiency in using assets to generate profits. Profitability is measured using the return on assets proxy which is an indicator of a company's profit assets relative to its assets. This ratio can also help investors to get an idea of the efficiency of the company that how efficient management uses its assets to generate profits. From the research results obtained Return on Assets has a negative influence on the dividend payout ratio. If a company has large shares, bonds and profits, the company will allocate this to retained earnings for the company's operations or to finance investments so that it does not will affect the distribution of dividends. Return on assets that are positive or higher can be used by the company whether to pay dividends or maintain company income. It depends on the company's decision. Banks that have a high excess percentage of LDR for example more than 110% will get liquidity problems because loans are evaluated as productive assets of less liquid banks. The results of the study of the loan deposit ratio have a negative effect on the dividend payout ratio. The Loan Deposit Ratio is negative and does not have a significant effect on the Dividend Payout Ratio because company profits can also be obtained from fee-based income, bond

sales, and foreign exchange. The loan to deposit ratio had a negative and significant effect on the dividend payout ratio. Here, a high ratio of loans to deposits reduces liquidity position, especially in the form of cash. It is that this high ratio will not be in a position to pay high dividends. Placement/borrowing of short-term funds (in days) between banks. Call money is a bank instrument in dealing with short-term temporary shortfalls or excess funds. For banks that place Call Money are Bank Assets, and for banks that accept Call Money placements are liabilities (Debt or Liabilities). Where the results of research on Net Call Money can have a significant positive effect on the dividend payout ratio. The high net call money means that companies borrow a lot of money from other companies so that there is a lot of money that will be reprocessed to be used as loans to other companies so that it does not affect the distribution of dividends where for banks that place Call Money are Bank Assets, and for banks that accept Call Money placements are liabilities (Debt or Liabilities). Call money is recorded in an interbank account - "Claims on other banks" - for assets and "liabilities to other banks" - for liabilities.

4. CONCLUSION

Research data from 7 banking companies listed on the Indonesia Stock Exchange (BEI) in the period 2012-2018, has a regression result that shows that cash position and net call money have a statistically positive effect on the dividend payout ratio. The results of this study are consistent with the empirical results of the research hypothesis which states that net call money cash position has a positive effect on the dividend payout ratio. Debt to equity ratio, loan to deposit ratio, and return on assets have a negative and statistically significant effect on the dividend payout ratio. The results of this study are consistent with the empirical results in the research hypothesis which states that the debt to equity ratio and loan to deposit ratio has a negative and significant effect on the dividend payout ratio.

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