Dividend Payout Model on SOE (Go Public) in Indonesia

Leonita Putri*, Sulaeman Rahman Nidar, Josep Ginting, Rachmat Sudarsono
Doctor of Management Science, Faculty of Economics and Business
Padjadjaran University
Bandung, Indonesia
*leonita_putri51@yahoo.com, sulaeman.rahman@unpad.ac.id, josepginting66@gmail.com, rachmat.sudarsono@fe.unpad.ac.id

Abstract—**Indonesia's GDP growth from 2008 to 2009 was 4.7%, from 2009 to 2010 it was 6.4% and from 2015 to 2016 it was 5.03%. This shows that the global financial crisis in the late 2000s that occurred had a relatively small impact on the Indonesian economy compared to the impact experienced by other countries. Volatility of the size of the SOE dividend was certainly not good and researchers felt the need to research a good dividend distribution model by a state-owned enterprise. In the end, this research led to the discovery of a comprehensive and accurate dividend payment model by SOEs. This study using 12 SOE companies with a period of time from 2008 to 2017. The analytical tool used is panel data with the Random Effect Model analysis model and solved through computer statistics, namely Eviews 9.0. The results of this study indicate if the first model namely EPS and Capex variables have an influence on dividend payout model while the OPEX variable has no effect on dividend payout model at SOEs.**

Keywords: dividend payment model, dividend, state-owned enterprise, capital expenditure, earnings per share

I. Introduction

Indonesian government has been financing all the needs of national development, it's aims to improve the welfare of Indonesian people, the government requires state revenues derived from various sources, such as Non-Tax State Revenue or PNBP is revenue from natural resources, profit sharing for state-owned enterprises, Other PNBP and revenue from the Public Service Agency. In recent years, PNBP shows an increase except natural resources, this means that the government must continue to work in optimizing the potential revenue of PNBP, especially dividend income from SOE.

Data in 2017 shows that the government has managed 115 SOEs throughout Indonesia. However, the government still faces a complicated problem, for example: inefficiency and lack of management of SOE performance. The government does not have a dividend payment model where Capex (Capital expenditure) plus EPS (earnings per share) is not the same in every SOE company. Indonesia's GDP growth from 2008 to 2009 is 4.7%, from 2009 to 2010 is 6.4% and from 2015 to 2016 is 5.03%. This shows that the global financial crisis in the late 2000s that had a relatively small impact on the Indonesian economy compared to the impact experienced by other countries. In 2017, Indonesia's GDP growth to 5.07%, which

means that the country's GDP growth performance is one of the best in the whole world.

If we compare with the APBN data, when there is an increase in GDP, the APBN will also increase where the contributions owned by BUMN companies in Indonesia are also good, but if seen in the APBN payment graph, the contribution of SOEs is still fluctuating. Quoting the statement on the website kemkeu.go.id stated that the government continues to strive to optimize the potential for PNBP revenue, especially receipt of dividends from SOEs. Dividend policy in companies (both private and state-owned) is a complex issue and has major financial implications for the country and the company itself. This is certainly a big problem for the government because being a driving factor for economic growth in Indonesia, SOEs are also expected to be able to contribute to the government by providing dividend payments which is it will be used to finance the State's financial needs for national development. Research by Parasuraman and Ramudu from 2002 to 2011 registered in the BSE constituent, India obtained results if the dividend policy was apparently influenced by earnings this year and dividends in the previous year, while depreciation and capital expenditure variables had no effect [1]. Lambrecht and Meyrs through their research entitled "A Lintner Model of Payout and Managerial Rents" said that in determining dividend payments are influenced by net income, debt and capital expenditure [2]. Deitiana show that earnings per share have a significant effect on dividend payout ratios [3]. Meanwhile, according to Nugroho's research, that earnings per share do not significantly influence to dividend payout ratio [4].

The aims of this research are:

- Does capital expenditure effect on Dividend Payout Ratio?

- Does Earning Per Share effect on Dividend Payout Ratio?

- Does Operational Expenditure effect on Dividend Payout Ratio?

II. Literature Review

Lintner conducted a study on "Distribution of Income of Corporations Among Dividens, Retained Earnings, and Taxes"

stating that a company's ability to earn profits is a key indicator of a company's ability to pay dividends, so profitability is the most important determinant of dividends [5]. Brittain's research is to calculate dividends, Brittain added a variable cash flow or dividend in the previous year or better known as the Cash flow model [6]. Bodla, Karam and Sura with the assumption of the two previous models of Lintner and Brittain said dividend policy was influenced by earnings this year and dividends in the previous year, while depreciation and capital expenditure variables had no effect [7]. Bodla, et al research results are also strengthened by the existence of research from Parasuraman and Ramudu conducted in 2002 to 2011 registered at the BSE constituent, India by using the above modelling, the same results are obtained that dividend policy is influenced by earnings in this and dividends in the previous year while the depreciation and capex variables also have no effect [1]. Lambrecht and Meyrs, discovered a dividend payment model, the determination of dividend payments according to them was influenced by net income, debt and capital expenditure [2].

III. METHODS

This type of research is inductive research, using exploratory models while the data analysis technique used is statistical analysis. This research is using analytical tool used is panel data with the Random Effect Model analysis model and solved through computer statistics, namely EViews 9.0. The data used in this study are secondary data, from 2008 to 2017. Data criteria are;

- Companies registered from 2008 to 2017

- Paying Cash Dividends at least two years in a row during the study period

- Companies that have a share of ownership by the commissioners and directors for at least two consecutive years during the study period.

TABLE I. SAMPLE OF SOE (LISTED) 2008-2017

NO	EMITEN	CODE
1	PT Bank Negara Indonesia, Tbk	BBNI
2	PT bank Rakyat Indonesia, Tbk	BBRI
3	PT Bank Mandiri, Tbk	BMRI
4	PT Bank Tabungan Negara, Tbk	BTN
5	PT Perusahaan Gas Negara, Tbk	PGAS
6	PT Jasa Marga, Tbk	JSMR
7	PT Telekomunikasi Indonesia, Tbk	TLKM
8	PT Kimia Farma, Tbk	KAEF
9	PT Adhi Karya, Tbk	ADHI
10	PT Wijaya Karya, Tbk	WIKA
11	PT Waskita, Tbk	WSKT
12	PT Pembangunan Perumahan	PTPP

Source: www.idx.go.id

IV. RESULTS AND DISCUSSION

This study analyses the effect of capital expenditure, earnings per share, operational expenditure on dividend payments (DPR) in state-owned enterprise (listed) from 2008 to 2017. The analytical tool used is panel data with the Random Effect Model analysis model and is resolved through computer statistics, namely EViews 9.0. Furthermore, the data processing

results presented in this chapter are considered to be the best estimation results because they can meet the criteria of economic theory, statistics and econometrics.

TABLE II. RESEARCH RESULT

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.524612	0.096324	5.446313	0.0000
CAPEX	0.156668	0.049954	3.136231	0.0022
EPS	-0.620695	0.297353	-2.087400	0.0390
OPEX	0.133575	0.128980	1.035626	0.3025

Source: EViews 9.0 data processing results

Based on the heteroscedasticity test, the probability value of all independent variables namely capital expenditure, Earnings per share is significant at levels below 5%, Capital expenditure is 0.0022, this shows that the owner of the company considers that there is a relationship between the company's investment opportunities as indicated by the amount of capital expenditure with the company's dividend payout ratio. Its relevance with Parasuraman and Ramudu [1] and Lintner [5] research, determining dividend payments are influenced by net income, debt and capital expenditure and not significance with Lambrecht and Meyrs [2].

Earnings per share is 0.0390, its significance with research Deitiana [3]. This research doesn't correspond with Abu's research states that earning per share positively affects the company's dividend payout ratio because companies that use profitability for dividends not for investment purposes [8]. Increasing in profitability will reduce the dividend payout ratio. This situation indicates that there is no similar variance or no significant homoscedasticity occurs at the 5% level.

Operational expenditure shows insignificance with a value above 5%, which is 0.3025. Its means that operating costs made by companies to maintain or increase their material assets do not affect to dividend.

This situation indicates that the existence of the same variant or the occurrence of homoscedasticity is significant at the 5% level.

Based on table above, it can be concluded that the correlation coefficient between independent variables <10 which means that there is no multicollinearity in the regression model.

Decision making by looking at the probability value (p) for Cross-Section F. If the value of p> 0.05 then the model chosen is the Common Effect Model. But if p <0.05, the selected model is the Fixed Effect Model. Based on Chow test, the two Cross Section F and Chi square probability values are smaller than Alpha 0.05 so they reject the null hypothesis. It's showing fixed effects, the best model used is the model using the fixed effect method. Based on the results of the Chow test that rejects the null hypothesis, the data test continues to the Hausman test.

Hausman test is done to compare or choose which model is the best between the Fixed Effect Model and the Random Effect Model. Decision making by looking at the probability

value (p) for Cross-Section Random. If the value of p> 0.05, the selected model is the Random Effect Model. But if p <0.05, the chosen model is the Random Effect Model. Chi Square Statistics value in Random Cross-section = 9.667679 with p =0.0216> 0.05, so accepting hypothesis one. So based on the thirsty test, the best model to use is the model using the fixed effect method rather than the Random Effect Model. From the estimation results above, a panel data analysis model can be made for the factors that influence the dividend payment model which is concluded with the following equation:

$$(Y) = 0.524612 + 0.156668 CAPEX - 0,620695$$

$$EPS + 0.133575 \ OPEX + e$$

V. CONCLUSION

- Capital expenditure has effect on Dividend Payout Ratio. This shows that the owner of the company considers that there is a relationship between the company's investment opportunities as indicated by the amount of capital expenditure with the company's dividend payout ratio.

- Earnings Per Share has effect on Dividend Payout Ratio, its means that the companies use profitability for dividends not for investment purposes.

- Operational expenditure has not effect on Dividend Payout Ratio its means operating costs made by companies to maintain or increase their material assets do not affect to dividend.

REFERENCES

[1] N.R. Parasuraman and P.J. Ramudu, "Does Lintner model of dividend payout hold good? An empirical evidence from BSE SENSEX firms," SDMIMD Journal of Management, vol. 3, no. 2, September 2012.

[2] B.M. Lambrecht and S.C. Myers, "Lintner Model of Payout and Managerial Rents," Fortcoming Journal of Finance, Denver Meetings Paper, 2012.

[3] T. Deitiana, "Faktor-faktor yang mempengaruhi kebijakan pembayaran dividen kas," Jurnal bisnis dan akuntansi, vol. 11, no. (1), pp. 57-64, 2009.

[4] A. Nugroho, "Pengaruh Cash Ratio, Debt to Equity Ratio, Return on Assets, Earning Per Share, dan Total Assets Turnover Terhadap Dividend Payout Ratio," Jurnal Akuntansi. Fakultas Ekonomi, Universitas Semarang (tidak dipublikasikan), 2013.

[5] J. Lintner, "Distribution of Incomes of Corporations Among Dividens, Retained Earnings, and Taxes," The American Economic Review, vol. 46, no. 2, pp. 97-113, 1956.

[6] J.A. Brittain, "The Tax Structure and Corporate Dividend Policy," The American Economic Review, vol. 54, no. 3, pp. 272- 287, 1965.

[7] B.S. Bodla, K. Pal, and J.S. Sura, "Examining Application Of Lintner's Dividend Model In Indian Banking Industry," ICFAI Journal Of Bank Management, vol. 6, no. 4, pp. 40-59, 2007.

[8] S.T. Abu, "Determinants of dividend payout policy: Evidence from Bangladesh," International journal of economics practices and theories, vol. 2, no. 3, 2012.