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Effect of Current Ratio, Debt to Equity Ratio, Growth Asset, and Earning Per Share on Dividend Per Share (Empirical Study on Property, Real Estate and Building Construction Companies Listed on the Indonesia Stock Exchange in 2014-2018)

Syamsul Bahari Bahar[1*], Rudi Abdullah[2], Hardin[3]

[1] *Department of Civil Engineering, Faculty of Engineering, Universitas Muhammadiyah Buton, Baubau, Indonesia*
[2] *Accounting Study Program, Faculty of Economics, Universitas Muhammadiyah Buton, Baubau, Indonesia*
[3] *Department of Agribusiness, Faculty of Agriculture, Universitas Muhammadiyah Buton, Baubau, Indonesia*
[*] *Corresponding author. Email: rudiabdullah@umbuton.ac.id*

ABSTRACT

This study aims to find out 1). To analyze the effect of the current ratio on dividends per share. 2). To analyze the effect of debt to equity ratio on dividend per share. 3). To analyze the effect of growth assets on dividends per share. 4). To analyze the effect of earnings per share on dividends per share. 5). To analyze the effect of current ratio, debt to equity ratio, growth assets, and earnings per share to dividend per share. This research is included in comparative causal research. The population of this research is manufacturing companies listed on the Indonesia Stock Exchange in 2014-2018. By using purposive sampling method, there are 57 companies that meet the criteria with a total of 15 companies. The data analysis technique used is multiple panel data regression analysis used to examine the relationship between the independent variable and the dependent variable. The results of this study indicate that partially the current ratio variable has a positive but not significant effect on dividend per share, the debt to equity ratio variable has a positive but not significant effect on dividend per share, the growth asset variable has a positive but not significant effect on dividend per share, and the variable earnings per share have a positive and significant effect on dividends per share.

Keywords: *current ratio, debt to equity ratio, growth asset, earning per share, dividend per share*

1. INTRODUCTION

In the current era of globalization, the growth of a country's economic conditions is increasing and tighter. Competition that occurs in the capital market is an opportunity and also a challenge for every entrepreneur to develop in his business. The total amount of profits to be generated by a company is one of the determining factors that will be taken into consideration in paying dividends by a company. The dividends that the company will give to its investors are different, this is determined based on the dividend policy of each company. Investors generally want the distribution of dividends that are relatively stable or tend to increase, where the stability of dividend distribution can foster investor confidence in a company because it can minimize the uncertainty of investors to invest their funds.

There are two types of dividends that can be obtained by investors, namely cash dividends and non-cash dividends. Cash dividends are dividends that companies will give to investors in cash. Whereas non-cash dividends are dividends given to investors in the form of shares with a certain size distribution, for example assets dividends and stock dividends. However, in reality investors tend to prefer the provision of dividends in the form of cash dividends, because this can reduce the risk of uncertainty that must be faced by investors for investments made in a company.

Currently there are quite a number of companies listed on the Indonesia Stock Exchange which are divided into several sectors, one of which is the Property, Real Estate and Building Construction sectors. This sector is the most important sector in the economy of each country, because it can be used as a benchmark in examining the health of the country's economy. Property Industry, Real Estate and Building Construction is one sector that can be used as an indicator of falling or developing economy owned by a country [1]. Can be seen if the companies in the Property, Real Estate and Building Construction sectors in Indonesia are increasing in number, this shows that the country's economic system is developing.

The growth of this sector is usually marked by inflation growth which increases every year and can also be seen from the rising prices for a land or building. This raises an interest for investors in investing their capital in companies in this sector. The Property, Real Estate and Building Construction sectors are assets that have high investment prices. The property development that is increasing enough shows that there has been a better economic improvement in a country. But in reality, the condition of the Property, Real Estate and Building Construction sectors for some time has been assessed as having been sluggish. This was

also recognized by the Indonesian Real Estate (REI). Some factors that cause Property, Real Estate and Building Construction in the country experienced a downturn including people who refrain from buying property and lack of interest to buy because it is a long-term investment. In 2018, signs of the revival of the Property, Real Estate and Building Construction industries have begun to appear. The rise of the Property, Real Estate and Building Construction sectors is supported by higher economic growth, lower lending rates, the completion of a number of strategic infrastructures supporting the infrastructure industry, positive impact on investment grade, and relaxation of loan to value rules by Bank Indonesia. In 2018 there were 57 companies listed on the Indonesia Stock Exchange in the Property, Real Estate and Building Construction subsectors. Data reported from the Indonesia Stock Exchange as of December 2018, the total assets of the Property, Real Estate and Building Construction subsectors reached IDR 541.02 trillion, up 15.52% (yoy) from IDR 450.21 trillion in 2018.

Investment activities carried out by investors can be categorized as activities that have a lot of risks and it is rarely predictable how the results will be obtained. In minimizing the possibility of a risk in the future the investors really need information about the company. Information needed by shareholders can be obtained through an assessment of the development of shares and financial statements of the company. One measure that can be used is by looking at the dividend payment policy of a company. Dividend policy is part of the funding decision. The problem of dividend distribution is a highlighted discussion in a company and also financial managers. One of the objectives of the company in terms of financial management is to maximize the prosperity of the shareholders by giving the majority of the profits the company has received in the form of dividends. But on the other hand, if the distribution of dividends is relatively high will lead to a reduction in management utilities due to the reduction in funds available in management control, this is what is less liked by management.

The provisions on dividend distribution have actually been regulated in the Limited Liability Company Law (UU PT) No. 40 of 2007. According to Article 71 paragraph 2 of the PT Law states that all net income after deducting the allowance for reserves as referred to in Article 70 paragraph (1) is distributed to shareholders as dividends, unless otherwise specified in the GMS. Then it can be concluded that included dividends are all net income which has been reduced by reserves. Each company has different dividend policies in distributing dividends to shareholders. Policy rules depend on the results of the general meeting of shareholders of each company. Every dividend policy will affect the value of a company to maintain sufficient funds to finance the company's growth in the future. A company's dividend policy is reflected in its dividend per share, which is the amount of dividends to be given to investors. The size of the dividend per share distribution of a company will affect the investment to be made by investors. And on the other hand, it will also affect the financial condition of a company.

Benchmarks for returns on investments in the form of dividends for investors can be seen through liquidity ratios, leverage ratios, asset growth, and profitability ratios. Liquidity ratio is the ratio used to assess the ability of a company to meet short-term obligations within a predetermined time period. Every company that can fulfill its obligations in accordance with the agreement indicates that the company is liquid. The indicator variable used from the liquidity ratio in this study is the current ratio. This ratio can be used as one of the considerations to measure the company's ability to distribute promised dividends to shareholders. The stronger a company's liquidity means the higher its ability to pay dividends. Theoretically, the stronger the company's cash position, the level of dividend payments will also increase.

Leverage is a ratio that can be used as a benchmark for how much the assets of a company are paid with debt, which means how much total debt must be financed by the company compared to its assets. The variable used by researchers in calculating the size of the debt is the debt to equity ratio. Debt to equity ratio can be used to find out the total debt compared to its own capital [2]. The lower the debt to equity ratio shows that the higher the company's success in financing its overall obligations. Debt growth that occurs will have an effect on dividends, because companies prefer to pay debt rather than pay dividends to investors. Theoretically, the lower the leverage of a company, the higher the level of dividend payments. Growth assets can be used as a benchmark for asset growth that is used as a measure in assessing operational activities in a company. The higher the growth of a company, the greater the need for funds needed to finance the development of the company. If the need to finance the growth of a company in the future is getting higher, then the company tends to hold income rather than pay it as dividends to investors. Theoretically, the higher the company's growth assets, the level of dividend payments will decrease. Profitability ratio is a ratio that can be used as a benchmark of efficiency against the use of assets in a company or also an ability to earn profits in a company within a certain time period, in order to see the company's performance in operating efficiently [3]. If the earnings per share (profit per share) of a company increases, the higher the level dividends distributed. Rising levels of dividend payments, will signal to investors that the company's profitability is getting better. Based on the description of the background of the research, the formulation of the problem in this study are: 1). Does the current ratio significantly influence the dividend per share? 2). Does the debt to equity ratio have a significant effect on dividends per share? 3). Does growth asset have a significant effect on dividend per share? 4). Do earnings per share have a significant effect on dividends per share? 5). Does the current ratio, debt to equity ratio, asset growth, and earnings per share affect the dividend per share?

2. METHOD

The analysis tools in this study are as follows:

2.1. Descriptive analysis

This research uses descriptive statistics. [4] Descriptive statistics are statistics that are used to analyze data that have been collected as they are without intending to make generally accepted conclusions. The data used to be described with descriptive statistics in this study are the current ratio, debt to equity ratio, growth assets, and earnings per share effect and dividend per share. The measurements used in this study are the minimum value, maximum value, mean, and standard deviation.

2.2. Classic assumption test

The normality test aims to test whether in the regression model, confounding or residual variables have a normal distribution [5]. There are two ways to detect data that are normally distributed or not, namely by graphical analysis and statistical analysis. In this study, a Kolmogorov-Smirnov (KS) statistical analysis will be carried out to detect normality of data and residuals. This study uses a significance level of 5%, where if the significance value of the KS value> 5%, then the data used in the study are normally distributed, conversely if the significance value of the KS value <5%, then the data used in the study are not normally distributed

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). The existence of a perfect relationship or near perfect between the independent variables with other independent variables will show the existence of multicollinearity. While in a good regression model there should not be a strong correlation between the independent variables. In this study the detection of multicollinearity was carried out by the method of tolerance value (α and Variance Inflation Factor (VIF). The cutoff value commonly used to indicate multicollinearity was Tolerance> 0.10 or equal to VIF <10.

Autocorrelation test aims to test whether in a linear regression model there is a correlation between the error of the intruder in the period t with the error of the intruder in the period t-1 (previous). In this study the detection of autocorrelation was done by the Durbin-Watson test with the following criteria: 1) If the DW value is located between the upper bound (upper) and (4-du). Then the autocorrelation coefficient equals zero, meaning there is no autocorrelation. 2) If the DW value is lower than the lower bound or lower bound (dl), then the autocorrelation coefficient is greater than zero, it means that there is a positive autocorrelation. 3) If the DW value is greater than (4-dl), then the autocorrelation coefficient is smaller than zero, meaning there is a negative autocorrelation. If the DW value is located between the upper limit (du) and the lower limit (dl) or DW is located between (4-du) and (4-dl), the results cannot be concluded.

Linearity Test is used to see whether the specifications of the model used are correct or not. With the linearity test information will be obtained whether the empirical model should be linear, quadratic, or cubic. The linearity test used in this study uses the Lagrange Multiplier Test.

2.3. Hypothesis Testing

H_1, H_2, H_3 and H_4 tests use simple linear regression. Simple regression is based on the functional or causal relationship of an independent variable with a dependent variable [8]. The steps in simple regression analysis are as follows:

a. Make simple linear lines

$$Y = a + bX \quad (1)$$

Information:
Y = Subject in the predicted dependent variable
a = Price Y when price X = 0
b = direction number or regression coefficient
X = Subject of an independent variable that has a value certain.

b. The coefficient of determination
The coefficient of determination or R2 is the value that indicates the extent to which the variable Y can be explained by the variable X. R^2 (R Square) can be seen in the Model Summary table in the regression results. The number listed is multiplied by 100, which means percentage. Furthermore, the results stated in R2 that are already in the form of a percentage means a value indicating the extent to which variable Y can be explained by variable X. The rest (100-R2 (in percentage form)) is a value indicating that the variable Y is explained by other variables, other than variable X.

c. Partial regression test.
To find out whether the hypotheses (H_1, H_2, H_3 and H_4) that have been set are accepted or rejected, then the statistical test is performed using the statistical test t, the t test is carried out with the formula:

$$t\ r\ (\sqrt{n} - (\sqrt{} - r \quad (2)$$

Information:
t = t count; r = correlation coefficient; n = nth

The t test basically shows how far the influence of one variable individually in explaining the variation of the dependent variable. If t arithmetic is smaller than t table with a significance level of 5%, it has no significant effect. Conversely, if t arithmetic is greater or equal to t table at a significance level of 5% then it has a significant effect. In addition, to determine whether the hypothesis is accepted or not and to determine the significance of the effect that can be done by looking at the value of Sig. or the significance in the coefficients table of data processing results. If the Sig. Less than 0.05, the hypothesis is accepted significantly.

3. RESULTS AND DISCUSSION

This study analyzes the effect of current ratio, debt to equity ratio, growth assets, and earnings per share to dividend per share in manufacturing companies on the Indonesia Stock Exchange in the 2014-2018 period.

3.1. Descriptive Statistics Results

Descriptive analysis of the data taken for this study was from 2014 to 2018 with 57 observational data. The description of the variables in the descriptive statistics used in this study includes the minimum value, maximum value, mean, and standard deviation is presented in Table 1.

Table 1 Descriptive statistics results

	N	Min.	Maks.	Mean	S.D
Current Ratio	57	0,00031	0,5420	0,09871	0,07009
Debt To Equity Ratio	57	3	7	2,53009	0,65788
Growth Asset	57	0,00078	2,00412	0,05521	1,03242
Earnings Per Share	57	12,65	29,71	16,54112	0,954221
Dividend Per Share	57	0,32111	0,87655	0,12114	0,08812

Source: Secondary data processed

3.2. Classical assumption test results

Corporate Social Responsibility test results and financial performance is presented in Table 2.

3.3. Hypothesis Test

Hypothesis test results test is presented in Table 3.

Table 2 Classical assumption test

Normality test				
	Variable	*Kolmogorov-Smirnov*	*Asymp-Sig. (2-tailed)*	Note
Dividend Per Share	*Unstandardized Residual*	0,82	0,100	Normal
Current Ratio	*Unstandardized Residual*	0,71	0,221	Normal

Multicollinearity test				
	Variable	Value Tolerance	Value VIF	Conclusion
Dividend Per Share	*DER*	0,671	1,342	No Multicollinearity Occurs
	GA	0,899	1,022	
	EPS	0,908	1,122	
Current Ratio	*DER*	0,889	1,877	No Multicollinearity Occurs
	GA	0,899	1,099	
	EPS	0,790	1,442	
	DPS	0,890	1,877	

Autocorrelation test					
	R	R Square	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
Dividend Per Share	0,877	0,801	0,784	0,087990	1,9008
Current Ratio	0,709	0,690	0,660	0,96650	1,432

Heteroscedasticity test				
	Variable	t_{count}	Sig.	Conclusion
Dividend Per Share	*DER*	1,549	0,321	No Multicollinearity Occurs
	GA	-0,877	0,761	
	EPS	-0,809	0,607	
Current Ratio	*DER*	-0,544	0,988	No Multicollinearity Occurs
	GA	1,877	0,945	
	EPS	0,980	0,487	
	DPS	-0,342	0,911	

Linierity test				
	R	**R Square**	***Adjusted R Square***	***Std. Error of the Estimate***
Dividend Per Share	0,877	0,801	0,784	0,087990
Current Ratio	0,709	0,690	0,660	0,96650

Source: Secondary data processed

Table 3 Hypothesis test results

H	Variables	Price r and r^2		Price t		Sig.	Koef.	Konst
		R	r^2	t_{count}	t_{table}			
H_1	*CR-DPS* (X_I)	0,821	0,701	0,980	1,5409	0,121	0,899	-3,758
H_2	*DER-DPS* (X_2)	0,786	0,720	1,318	1,5409	0,807	0,398	-1,371
H_3	*GA-DPS* (X_3)	0,646	0,602	2,400	1,5409	0,021	0,162	-8,801
H_4	*EPS-DPS* (X_4)	0,884	0,422	7,311	1,5409	0,000	0,412	5,310

Source: Secondary data processed

3.4. Effect of current ratio on dividend per share

Based on the results of the hypothesis test, the result of the t value shows 0.980 is smaller than the value of t table (1.5409), with a significance of 0.121 (> 0.05), this means that the current ratio variable has a positive but not significant effect on dividends per share. This means that when CR increases, it is not certain that dividends per share of the company will also increase. This is because company liquidity is not used to pay dividends, but is allocated to purchase fixed assets or permanent current assets not to pay dividends.

To take advantage of existing investment opportunities as well as for operational costs. So, if the company's liquidity gets higher, the dividend distribution will not change. So, high company liquidity will not have an impact on the high distribution of dividends. The results of this study support research conducted by Yulia, which states that corporate liquidity has no significant effect on dividends per share.

Effect of Debt to Equity Ratio on Dividend per Share.

The second hypothesis testing shows the results of the t value of 1.318 is smaller than the value of t table (1.5409), with a significance of 0.807 (<0.05) this means that a positive but not significant effect on dividends per share. The results showed that Debt to Equity Ratio has a positive effect, which means that the increase in debt can increase the company's ability to pay dividends, as long as the use of debt must always be accompanied by increased sales so that the profits generated by the company will also increase and have an impact on dividend payments that also increase. However, the research results of the debt to equity ratio variable do not have a significant effect on dividend per share, which means that when DER increases, it is not certain that dividend per share of the company will also increase.

It can be concluded that if the higher the debt owned by the company will not affect the dividend policy because the company prefers financing using its own capital rather than funds from outside parties, this cannot be separated from efforts to increase credibility for the company in the eyes of external parties because debt can provide risk tall one. This finding supports the research conducted by Yulia which states that corporate leverage has no significant effect on dividends per share.

3.5. Effect of Asset Growth on Dividends per Share.

The third hypothesis testing shows the t value of 2.400 is greater than the value of t table (1.5409), with a significance of 0.021 (<0.05) this means that the variable growth asset has a positive but not significant effect on dividends per share. That is, the higher the growth of assets, the dividend per share will not necessarily increase. This is because companies tend to have more alternative funding, so companies become less dependent on internal funding. When a company needs additional funds to finance its growth, the company will not reduce the portion of dividends given to shareholders but will seek external funding in the capital market.

The greater the assets, it is expected that the greater operational results produced by the company. The increase in assets followed by an increase in operating results will further add creditor confidence in the company. However, the greater the need for funds to increase assets in the company. The results of this study are in line with research conducted by Ibrahim (2012) which states that growth assets have no significant effect on DPS. However, this study contradicts research conducted by Hatta (2002) which shows that asset growth has a significant effect on dividends per share.

3.6. Effect of Earnings per Share on Dividends per Share.

The fourth hypothesis testing shows the value of t arithmetic of 7.311 is greater than the value of t table (1.5409), with a significance of 0.000 (<0.05) this means that the effect that occurs on Earnings per Share to Dividend per Share is positive significant, so the fourth hypothesis in this study can be accepted. The results of partial tests that have been done, it is known that the variable earnings per share has a positive and significant effect on dividends per share. That is, the greater the level of the company's ability to generate profits per share, then in this case it will affect the amount of cash dividends distributed by the company to investors, as well as if the opposite occurs. This is also related to the company's ability to increase profits, which in the profits will be determined how much profit will be distributed and how much profit will be retained. Dividend growth occurs because of growth in earnings per share (earnings per share), this is due to an increase in profits, the dividends will be received by shareholders will also increase, so that earnings per share affect the dividend per share.

In this study, companies with large profits prefer to distribute it as cash dividend rather than holding it as retained earnings, this is done to increase investor confidence in the company. The results of this study are consistent with previous research conducted by Sunarto and Kartika (2003) which states that earnings per share has a significant positive effect on dividends per share.

4. CONCLUSIONS

Based on the results of data analysis through proving the four hypotheses proposed in this study about the effect of the current ratio, debt to equity ratio, growth assets, earnings per share to dividend per share in manufacturing companies on the Stock Exchange in the 2014-2018 period, the conclusions of this study are: 1. Current Ratio has a positive but not significant effect on dividends per share. The results of this study indicate that the level of liquidity does not necessarily affect the size of the dividend per share. 2. Debt to Equity Ratio has a positive but not significant effect on dividends per share. The results of this study indicate that the level of leverage does not necessarily affect the size of the

dividend per share. 3. Growth Asset has a positive but not significant effect on dividend per share. The results of this study indicate that the high and low levels of growth in assets does not mean affecting the size of the dividend per share. 4. Earnings per share has a positive and significant effect on dividend per share. The results of this study indicate that the level of earnings per share means that it influences the size of the dividend per share. 5. Current Ratio, debt to equity ratio, asset growth, and earnings per share simultaneously have a significant effect on dividend per share.

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