



Effect of Return on Asset (ROA), Current Ratio (CR), Debt to Asset Ratio (DAR), and Firm Size on Company Dividend Policy (Case Study of Cigarette Sub-sector Manufacturing Companies Listed on the Indonesia Stock Exchange in 2017–2021)

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Abstract. This study aims to determine the effect of Return on Assets (ROA), Current Ratio (CR), Debt to Asset Ratio (DAR), and Firm Size on Company Dividend Policy. The population in this study are cigarette sub-sector manufacturing companies listed on the Indonesia Stock Exchange engaged in the tobacco industry. The samples in this study were 4 companies from the 2017–2021 period and were selected using a purposive sampling technique (non-probability). In this study the variables used are ROA, CR, DAR, and Firm size to determine whether this ratio analysis affects dividend policy in cigarette manufacturing sub-sector companies listed on Indonesia stock exchange. The data analysis technique used was the Multiple Linear Regression analysis technique using the SPSS version 22 application. The results showed that the classical assumption test data was normally distributed, showing no multicollinearity symptoms, no autocorrelation, and no heteroscedasticity symptoms. The independent variable has an influence of 41.5% on the dependent variable. Partially the ROA variable has a positive effect on dividend policy, but the CR, DAR, and Firm Size variables have no effect. Simultaneously ROA, CR, DAR, and Firm Size jointly influence dividend policy.

Keywords: Return on Assets · Current Ratio · Debt to Asset Ratio · Firm Size · Dividend Policy

1 Introduction

The tobacco products industry in Indonesia has increased added value to plantation products such as cloves and tobacco. Domestically, the cigarette industry is a sector that has a very high level of competition because it can indirectly increase state revenues. In addition, the cigarette industry is one of the highest national revenues through the payment of cigarette customs tariffs after the food and beverage sector. Cigarette sales which continue to increase from year to year can illustrate that the cigarette industry is experienced good development and also has good prospects for investors who want to invest their funds as an investment vehicle. So that the tobacco products industry has an important role to drive the national economy [13].

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In Indonesia, customs revenue has increased every year. Based on government records through the Ministry of Finance cigarette customs revenue in 2021 was recorded at IDR 188.81 trillion or 108.65% of the target of IDR 173.78 trillion. This realization grew 10.91% from the 2020 performance of IDR 170.24 trillion. Entering 2022 the Ministry of Finance has targeted cigarette customs revenue of IDR 193 trillion to support the national development program enacted in the 2022 State Budget Law through state revenue and has set a tobacco products excise policy to increase by 12%. The excise tax increase aims to control cigarette consumption in the midst of the Covid19 pandemic for reasons related to health, labor aspects, supervision of goods subject to excise duty and state revenue. With an increase in excise tax, if you look at the impact on state revenue, of course this will have a positive impact because it has the potential for higher state revenue [12].

If the income received by a company is high, the profit received by the company will also be higher so that the profit earned will later be distributed to all investors in the form of dividends in return for the capital invested in a company. A company that decides to distribute the dividends it gets will reduce the company's retained earnings. The reduced retained earnings will later affect sources of capital because with a decrease in sources of capital, companies will experience difficulties when developing their companies. But on the other hand, if the company does not distribute dividends it will have an impact on investors because the dividends are in the form of remuneration which will later attract investors to invest in a company. Of course, these dynamics will have an impact on the financial performance of the cigarette industry [14].

In looking at the performance of a company, changes in dividends can be information for investors because dividends are one of the causes for the emergence of investor motivation to invest in the capital market. However, the size of the changes in a company's dividends distributed to all shareholders depends on the dividend policy of each company and depends on management's considerations and investors' decisions. According to Hanafi [6], dividend policy is a factor that cannot be separated from the results of a company's capital. This is because the dividend policy can determine the amount of dividends that must be paid to shareholders and how much must be reinvested in the form of retained earnings for one year. Dividend distribution which increases every year will be difficult for the company to achieve because the profit earned by the company does not increase continuously but fluctuates.

The following is data on the average dividend policy of the cigarette sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

In Table 1 it can be seen that the dividend payout ratio is erratic from year to year for each company. More than one company sometimes does not pay dividends to shareholders. From 2017–2021, average percentage the dividend payout ratio has fluctuated as shown by PT Gudang Garam Tbk (GGRM) and PT Hanjaya Mandala Sampoerna Tbk (HMSP). Whereas for PT Wismilak Inti Makmur Tbk (WIIM) from 2017–2021 average percentage Dividend Payout Ratio experienced decline keep going continuously. Even at PT Bentoel International invest Tbk (RMBA) from 2017–2021 is the same very no to do payment dividend.

Return on Assets (ROA) is calculated by comparing the company's net profit with its total assets. The higher the percentage obtained from the ROA calculation, the more

Table 1. Data on the Development of the Dividend Payout Ratio

ISSUER CODE	DIVIDEND PAYOUT RATIO (%)				
	2017	2018	2019	2020	2021
GGRM	64.50	64,19	45,9	0	89.30
HMSP	98.5	100.7	101.6	61.58	118.6
RMB	0	0	0	0	0
WIIM	80,18	0	19,20	42,64	24,33

Source: Indonesia Stock Exchange (data processed by researchers)

Table 2. Variable Formula

No	Analisis Rasio	Rumus
1	Return On Asset	$\frac{\text{Pendapatan}}{\text{TotalAsset}} \times 100\%$
2	Current Ratio	$\frac{\text{AssetLancar}}{\text{KewajibanLancar}} \times 100\%$
3	Debt to Asset Ratio	$\frac{\text{TotalUtang}}{\text{TotalAsset}} \times 100\%$
4	Firm Size	Ln (Total Aktiva)
5	Dividend Policy	$\frac{\text{Dividen}}{\text{LabaBersih}} \times 100\%$

efficient the use of the company's assets to generate profit. The Current Ratio (CR) value is calculated by comparing the company's current assets and current liabilities. When using CR a very important metric of managerial performance is the industry average of the same organization. Debt to Equity Ratio (DAR) is measured by comparing a company's total liabilities with its total assets. The higher the DAR value, the smaller the number of assets financed by capital and the greater the number of assets financed by debt. Furthermore, the last one is firm size (company size) according to Sprcic & Sevic [15] to hedge company size to be one of the company's considerations. A company with a larger company size will tend to hedge because the bigger the company, the greater the risk that the company will face (Table 2).

Following are some of the previous studies conducted related to the dividend policy of manufacturing companies, including: research conducted by Finingsih et al., [5] research results F test proves that the variables of profitability, liquidity, leverage and industrial development simultaneously do not affect dividend policy. On the other hand, the results of the T-test prove that of the four variables, only the profitability variable has a significant influence on dividend policy. As for the differences research on research this that is a danya independent variables namely profitability and liquidity as well as the object focuses on agricultural companies on the Indonesia Stock Exchange for the 2011–2016 period. Whereas research conducted by Hariyanti & Pangestuti [7] research results shows some aspects that can affect dividend policy. Profitability (ROA) and collateralizable assets (COLLAS) have a positive and significant effect on dividend policy, leverage

(DER) has no effect on dividend policy, liquidity (CR) has a positive and insignificant effect on dividend policy, and growth in net assets (GrowthINA) has a negative and significant effect on dividend policy. The research object in conducting this research is the cigarette sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2017–2021. Based on the elaboration above, the researcher took the title “The Influence of Return On Assets (ROA), Current Ratio (CR), Debt to Asset Ratio (DAR), and Firm Size on Company Dividend Policy (Case Study in Cigarette Sub-Sector Manufacturing Companies Registered in Indonesia Stock Exchange 2017–2021)”. The problem in this study is formulated as follows: do partial ROA, CR, DAR, and firm size affect dividend policy and do ROA, CR, DAR, and firm size simultaneously affect dividend policy?

2 Literature Review

1) Signaling Theory

Theory signal (*signaling theory*) is something decisions made by the parties management company about how management looked prospect company for give instruction to investors. Theory this explain about reason something company have encouragement for could give related information with report finance company for party based external exists asymmetry information Among management companies and parties external [2]. Compared with party external, internal company or management company have more many related information with operational company and future prospects something company. Because it, for reduce exists asymmetry information that happened, then company must have action with give signal to party external through report finance company. Inside report finance the inside it there is information possible finances trusted as well as could give certainty about prospect company for in the future.

According to Kustono [11] said that something the company in it there is good management will give signal good form success or failure something related companies with operational company. With exists signal that can be delivered such, then as internal parties (company) and parties external (Investor) can predict about operational company in the future. The signal could form something true information already Correct done by the company for the sake of interest party external company. *Signaling Theory* this is stated theory that investors will make change dividend as signal for predict income something future company will shared to the shareholder [3]. So that for informed investors finance something company very important because later will Becomes ingredient consideration when taking decision investment.

2) Financial Statements

According to Kasmir [10] financial statements are a document that shows the company’s financial condition in the current period or in a certain period. Company in carrying out its business activities periodically will prepare financial reports. The financial statements are intended to provide information regarding the performance of the company’s management during a certain period to the stakeholders of the company. Thus to evaluate the financial performance of a company can be done by analyzing the company’s financial statements, because if you just read the financial statements, of course

it will not be enough. So that financial ratio analysis must be carried out if necessary. Where this financial ratio is done by comparing all the numbers contained in the financial statements by dividing one number by another number.

3) Financial Ratio Analysis

According to Hery [8] financial ratios are a ratio calculation used as a measuring tool to assess the financial condition and performance of companies using financial reports. Financial ratio analysis is an analytical tool for assessing the financial performance used by companies by comparing each item in the financial statements for a certain period. The results of the analysis will later be reported to management as an information guide in determining a particular policy or decision in the coming period. This ratio analysis is very important in the business world, especially for management and investors. Ratio analysis is used by investors because to find out whether a company's investment is good or bad so that by doing this analysis investors can determine the nominal amount of investment to be invested. In addition to the management itself this analysis is used to assess business development. Thus for management and investors this financial ratio analysis can be an assessment data to find out how healthy a company's financial performance is so that investors are interested in investing or borrowing funds to be managed.

4) Dividend Policy

According to Ayem and Nugroho [1], dividend policy is how much income can be paid as dividends and how much can be maintained. Dividend policy can also relate to the issue of using profits that are the rights of investors, where these profits can be distributed as dividends or even retained to be reinvested later [11].

5) Hypothesis Development

a. Effect of Return on Assets on Dividend Policy

In the operation of a company, every company that gets profits is used to carry out its operational activities. Where the company often uses it both from within and from outside as debt. By having a large profit, it will automatically make the company have a small debt. According to Hery [8] it is said that the higher the net profit for each rupiah in total assets, the higher the return on an asset.

H_1 : Variable Return On Assets have an effect positive towards Dividend Policy.

b. The Effect of Current Ratio on Dividend Policy

To find out the current liabilities of a company, it can be seen from its current assets. The Current Ratio is used to measure the company's obligations to pay its short-term debt or it can be said that the debt will mature when there is a bill as a whole [10].

H_2 : The Current Ratio variable has an effect positive towards Dividend Policy.

c. Effect of Debt to Asset Ratio on Dividend Policy

This ratio aims to show how important the source of the company's debt funds is in terms of the percentage of assets that have been financed by debt. Each Debt to Asset Ratio is taken from total debt in proportion to total assets. That way this ratio is used

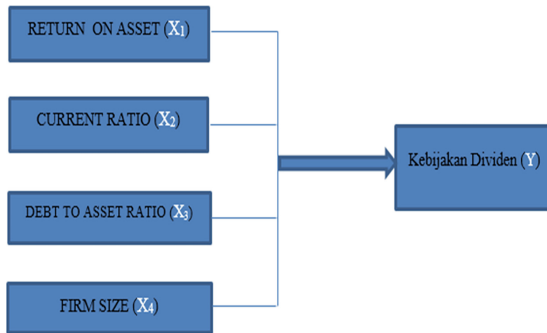


Fig. 1. Conceptual Framework of Research

to measure the ratio of total debt to total assets, so that the amount of company assets financed by debt or the amount of company debt affects asset management [10].

According to Desmiza [4] said that the Debt to Asset Ratio has an effect positive to policy dividend. This because if something company grow and generate profits later will add investment, aside withhold part from profit, in order to create optimal capital will also increase debt. So that with thereby no profit stuck to the investors will shared as dividend cash. With thereby the bigger debt so the larger profits are distributed as dividend cash.

H₃ : The Debt to Asset Ratio variable has an effect positive towards Dividend Policy

d. The Effect of Firm Size on Dividend Policy

Company size can be seen from the total assets owned by a company because the size of the company can be expressed in total assets, sales, and market capitalization. This total asset can be used for the company's operating activities. If the total assets are getting bigger, it will show the size of a company is getting bigger because of the large amount of capital invested in the company [16, (Heliani et al., 2021)] (Fig. 1).

H₄ : The Firm Size variable has an effect positive towards Dividend Policy.

6) Conceptual Framework of Research

3 Research Methods

The type of research used is a quantitative research approach.

1) Population and Research Sample

The population for conducting the research is all cigarette manufacturing sub-sectors listed on the Indonesia Stock Exchange engaged in the tobacco industry 2017–2021. There are 5 companies listed on the Indonesia Stock Exchange as a sample. The researcher used purposive sampling (non-probability).

2) Data Collection Techniques

In conducting this research, the information used is secondary. Secondary data used in this study includes financial records and information that supports research. The sources for obtaining research data are from the Indonesia Stock Exchange (IDX) receipt website, from each company's official website, and related articles related to research on the internet.

3) Research Variable

In carrying out this research using independent variables and dependent variables. Dividend policy is the dependent variable (Y) while the dependent variable is:

- a) Return On Assets (X_1)
- b) Current Ratio (X_2)
- c) Debt to Asset Ratio (X_3)
- d) Firm Size (X_4)

In this study, several formulas were used to assist researchers and make it easier in the research process, such as:

1) Data Analysis Technique

In conducting data analysis, multiple linear regression analysis was applied in this study. As for the influence of the independent factors on the dependent variable in this study, it can be observed. The following is the equation for multiple linear regression analysis:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Information:

Y = Dividend Policy

a = Constant

b = Regression coefficient of each independent variable

X_1 = Return On Assets

X_2 = Current Ratio

X_3 = Debt to Asset Ratio

X_4 = Firm Size

e = Standard error

4 Results and Discussion

1) Analysis Statistics Descriptive

Statistical test results descriptive based on Table 3 shows that the average value of the dependent variable (policy dividend) from in 2017-2021 amounted to 45.5610 and standard deviation that is of 42.34990. Whereas for the lowest average value of the independent variable that is found in the DAR variable of 0.3330 and standard deviation that is of 0.10209, and for highest average value found in the Firm Size variable of 19.7155 and standard deviation that is of 5.24685 (Figs. 2 and 3).

Table 3. Descriptive Statistics

	Mean	Std. Deviation	N
Kebijakan Deviden (DPR)	45.5610	42.34990	20
ROA	1.0085	.78055	20
CR	2.6030	1.54458	20
DAR	.3330	.10209	20
FIRM SIZE	19.7155	5.24685	20

Sumber: data yang diolah, 2022.

2) Assumption Test Classic

1. Normality Test

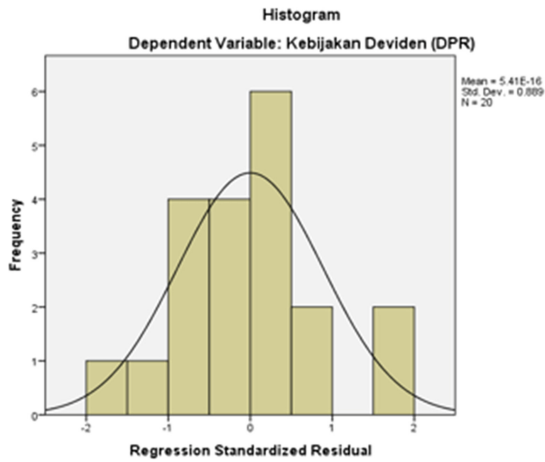


Fig. 2. Histogram

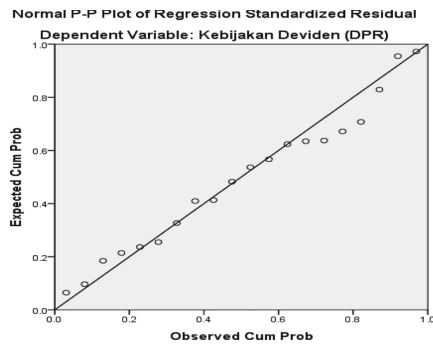


Fig. 3. P-Plot Normality Test

Based on normality test results on the histogram graph and P-Plot normality test results are known that the model is distributed normally. With so, can concluded that the regression model Fulfill assumption normality. This due to the histogram graph giving pattern a skewed balanced distribution to right which means the data is normally distributed. Meanwhile, in the P-Plot normality test image is visible that dot, dot, dot the data distribution follows and approaches forming line direction diagonal line, so show that the data is distributed normally too.

2. Multicollinearity Test

a. Dependent Variable: Policy Dividend (DPR)

In Table 4 shows that score tolerance from all variable independent more than 0.01 and the VIF value is less of 10. So that could concluded no occur sign or symptom multicollinearity in research this.

3. Autocorrelation Test

a. Predictors: (Constant), FIRM SIZE, CR, ROA, DAR

b. Dependent Variable: Policy Dividend (DPR)

Based on Table 5, no occur case autocorrelation between variable. This _ due to research this obtained Durbin Watson value (DW) ie of 1.462, value $d_U = 1.828$, and the value of $d_L = 0.894$ which means Durbin Watson regression values is at between

Table 4. Multicollinearity Test

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-155.728	94.458		-1.649	.120		
ROA	51.777	15.061	.954	3.438	.004	.339	2.503
CR	1.081	5.558	.039	.194	.848	.749	1.335
DAR	153.256	120.002	.369	1.277	.221	.368	2.719
FIRM SIZE	4.830	2.489	.598	1.941	.071	.324	3.089

Table 5. Autocorrelation Test

Summary Model ^b					
Model	R	R Square	Adjust R Square	Std. Error of the Estimate	Durbin-Waston
1	.734	.538	.415	32.38756	1.462

dL value and value d_U or $d_L < d_w < d_U$ ($0.894 < 1.462 < 1.828$). So that could concluded if score d_w located Among dL value and value d_U , then no produce definite conclusion. _ With thereby can also be stated that no occur case autocorrelation between variable.

4. Heteroscedasticity Test

a. Dependent Variable: LN_RES

Based on Table 6 can see score significance each variable has score more big of 0.005, so could concluded that no found exists problem heteroscedasticity in this model.

3) Multiple Linear Regression

1. Equality Multiple Linear Regression

Table 6. Heteroscedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.327	6.072		.548	.592
ROA	.211	.968	.084	.218	.830
CR	.379	.357	.298	1.061	.305
DAR	.554	7.714	.029	.072	.944
FIRM SIZE	.037	.160	.100	.234	.818

Table 7. Analysis Regression and Partial Test

Coefficients^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-155.728	94.458		-1.649	.120
ROA	51.777	15.061	.954	3.438	.004
CR	1.081	5.558	.039	.194	.848
DAR	153.256	120.002	.369	1.277	.221
FIRM SIZE	4.830	2.489	.598	1.941	.071

a. Dependent Variable: Kebijakan Devden (DPR).

Sumber: data diolah, 2022.

Based on Table 7 so made equality multiple linear regression as following:

$$Y = -155,728 + 51,777ROA + 1,081CR + 153,256DAR + 4,830FS + e$$

2. Partial Test (t-test)

In Table 7 can see that the 3 independent variables are Partial considered no have significant influence to dependent variable because have score bigger from 0.005. Whereas one variable other have significant influence to variable dependent because value smaller from 0.05.

3. Influence Test Simultaneous (F Test)

a. Dependent Variable: Policy Dividend (DPR)

b. Predictors: (Constant), FIRM SIZE, CR, ROA, DAR

In Table 8 shows that all factor independent in a manner together have influence to variable dependent, because score its significance is 0.015 more small from 0.05.

4. Coefficient Test Determination (R^2)

a. Predictors: (Constant), FIRM SIZE, CR, ROA, DAR

b. Dependent Variable: Policy Dividend (DPR)

Source: processed data, 2022

In Table 9 shows coefficient test results determination obtained score *adjusted R-square* of 0.415 or 41.5%. This _ means that variable independent in study this influence variable dependent by 41.5%, meanwhile the remaining 58.5% is influenced by variables other than variable independent in research.

4) Discussion

Table 8. Simultaneous Test

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18342.449	4	4585.612	4.372	.015 ^a
	Residual	15734.310	15	1048.954		
	Total	34076.759	19			

Table 9. Coefficient Test Determination

Model	R	R Square	Adjust R Square	Std. Error of the Estimate
1	.734 ^a	.538	.415	32.38756

On discussion this will explain testing hypothesis already processed by researchers based on the t-test. In testing this will used comparison between t- tables with t-count, as well comparison is also used Among score significance with alpha value of 0.05.

1. Effect of Return on Assets (X_1) on Policy Dividend (Y)

At X_1 is known score significance more small from alpha value is 0.004 more small from 0.05. Whereas score t_{count} of 3,438 more big from score t_{table} of 2.13145. So that based on results testing this X_1 effect positive against Y.

2. Effect of Current Ratio (X_2) on Policy Dividend (Y)

At X_2 seen that score t_{count} of 0.194 more low if compared with score t_{table} who obtains score of 2.13145. Whereas score its significance of 0.848 more big from 0.05. So that could conclude based on study this that X_2 no take effect against Y.

3. Effect of Debt to Asset Ratio (X_3) on Policy Dividend (Y)

Based on results study is known that score X_3 significance of 0.221 more big of 0.05, whereas score t_{count} of 1.277 more small from score t_{table} that is of 2.13145. So that could conclude that X_3 no take effect against Y.

4. Effect of Firm Size (X_4) on Policy Dividend (Y)

Based on results study is known that X_4 _ no take effect against Y. It is because score significance of 0.071 more big of 0.05 and value t_{count} of 1,941 more small from score t_{table} of 2.13145.

5 Conclusions

Based on results study before, got pulled conclusion as following:

1. Hypothesis H_1 _ accepted. That is, X_1 take effect positive against Y, because score its significance of 0.004 more small from 0.05.
2. Hypothesis H_2 _ rejected. That is, X_2 no take effect against Y, because score its significance of 0.848 more big from 0.05.
3. Hypothesis H_3 rejected. That is, X_3 no take effect against Y, because score its significance of 0.221 more big from 0.05.
4. Hypothesis H_4 rejected. That is, X_4 no take effect against Y, because score its significance of 0.071 more big from 0.05.

Research conducted this limited because only done in the company manufacturing sub sector cigarette only those listed on the Indonesia Stock Exchange (IDX) and the period covered start from 2017–2021 years.

Suggestion for management, management company should could notice in a manner carefully ROA variable because variable the take effect positive to policy dividend. Besides that is, management the company also needs notice score variables CR, DAR, and Firm Size so that their values are stable and experienced enhancement every the year instead otherwise, especially partly during the Covid-19 pandemic big variable the experience decline.

Next, suggestion for researcher, researcher next to be to do similar research, is suggested could reproduce object study so reach study the bigger and wider. Besides it, researcher next recommended for add variable other influences policy dividend in doing his research like level growth company, return on equity, cash ratio, earnings per share, inventory turnover, and so on.

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