IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 21, Issue 5. Ser. III (May. 2019), PP 57-63
www.iosrjournals.org

Analysis on The Policy on Dividend at Property and Real Estate Companies Listed in The Indonesia Stock Exchange (a Case Study in The Period of 2013-2017)

Vani Gabriella Saragih[1], Isfenti Sadalia[2], Amlys Syahputra Silalahi[3]
[1]*(Universitas Sumatera Utara, Indonesia)*
[2]*(Universitas Sumatera Utara, Indonesia)*
[3]*(Universitas Sumatera Utara, Indonesia)*
Corresponding Author: Vani Gabriella Saragih

Abstract: *Today, the economic condition is rapidly developing. A company's growth and development cannot be separated from investors' capital investment. An investor's objective of investing his capital in a company is to get return of investment in the form of dividend. A company's total earnings become its consideration to pay dividend; therefore, its distribution becomes a serious attention of financial manager and of a company in general. The objective of a company in distributing dividend is to maximize stockholders' welfare, but high distribution of dividend is not favored by management because it will decrease management utility. The population was 57 Property & Real Estate Companies listed in BEI (Indonesia Stock Exchange) in the period of 2013-2017, and 11 of them which paid dividend in five years consecutively were used as the samples, taken by using purposive sampling technique. The data were analyzed by using multiple linear regression analysis, and panel data were used to test the correlation between independent variables and dependent variable. The research used associative causal research method. The result of the research showed that, partially, the variable of current ratio had positive but insignificant influence on the variable of dividend per share, the variable of debt to equity ratio had positive and insignificant influence on dividend per share, the variable of growth asset had positive but insignificant influence on dividend per share, and the variable of earning per share had positive and significant influence on dividend per share.*

Keywords: *Dividend Per Share, Current Ratio, Debt to Equity Ratio, Growth Asset, Earning Per Share*

Date of Submission: 20-04-2019 Date of acceptance: 04-05-2019

I. Introduction

In the current era of globalization, the growth of a country's economic conditions is increasing and tight. Competition that occurs in the capital market is an opportunity and also a challenge for every entrepreneur to develop in his business. The growth and development of a company is also inseparable from investors who invest their funds to get fresh funds in the capital market.

For a capital market company, it has a function as a potential source of capital in guaranteeing the growth of a company. Will remain released from the needs of the company as a party that needs capital, basically the first goal of an investor in investing funds in a company is to get a return in the form of a return (return on investment) in the form of dividend yield or capital gain.

The total amount of profit that will be generated by a company is one of the determining factors that will be taken into consideration in paying dividends by a company. Dividends that the company will give to its investors vary, this is determined based on the dividend policy owned by each company. Investors in general want dividends that are relatively stable or tend to increase, where the stability of the 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 (cash dividends) and non-cash dividends (non-cash dividends). Cash dividends are dividends that the company will give to investors in cash. Whereas non-cash dividends are dividends given to investors in the form of shares with certain size distributions, for example such as asset dividends and stock dividends. However, in reality, investors tend to prefer giving dividends in the form of cash dividends, because this can reduce the risk of uncertainty that must be faced by investors against the investment made in a company.

At present 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 and Real Estate sector. 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. According to Santoso (2009), the property and real estate industry is "one of the sectors that can be used as an indicator of the fall or development of an economy owned by a country." Can be seen if companies in the property and real estate sector in Indonesia are increasingly increasing in number, then this indicates that the country's economic system has developed.

The growth of this sector is usually characterized by inflation growth which increases every year and can also be seen from the increase in prices for a land or building. This raises interest for investors in investing in companies in this sector. The property and real estate sector is a sector that has assets at a high investment price. The development of property that has increased considerably shows that there has been a better economic improvement in a country. However, in reality, the condition of the property and real estate sector has recently experienced a slowdown. This was also recognized by the Real Estate Indonesia (REI). Several factors caused the property and real estate industry in the country to experience sluggishness, including people who refrained from buying property and lack of interest in buying because it was a long-term investment.

In 2018, signs of the rise of the property and real estate industry have begun to appear. The rise of the property and real estate sector was supported by higher economic growth, a reduction in lending rates, the completion of a number of strategic infrastructure supporting the infrastructure industry, the positive impact of investment grade, and the relaxation of loan to value rules by Bank Indonesia.

In 2017, 53 companies were listed on the Indonesia Stock Exchange in the property and real estate sub-sector. Data reported by the Indonesia Stock Exchange as of December 2017, the total assets of the property and real estate subsector reached Rp 446.09 trillion, up 14.31%. (yoy) from Rp. 390.25 trillion in 2016. Figure 1.1 presents the proportion of property and real estate companies with the largest total assets in 2017.

Dividend policy is part of funding decisions. The issue of dividend distribution is a discussion highlighted in a company as well as financial managers. One of the company's objectives in terms of financial management is to maximize the prosperity of shareholders by giving a large portion of the profits that the company has earned in the form of dividends. But on the other hand, if the dividend distribution is relatively high, it will cause a reduction in management utility due to the reduction in funds under management's control, this is what management lacks.

Provisions on dividend distribution are actually regulated in the Limited Liability Company Law (PT Law) Number 40 of 2007. According to Article 71 paragraph 2 of the PT Law states that: "All net profits after deducting allowance for reserves as referred to in Article 70 paragraph (1) are distributed to shareholders as dividends, unless otherwise specified in the GMS ". Then it can be concluded that what includes dividends is all net income that has been reduced by reserves.

Leverage is a ratio that can be used as a benchmark for how much assets a company is paid for by 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 debt is with a debt to equity ratio. According to Kasmir (2008) the debt to equity ratio can be used to find out the sum of all debt compared to its own capital. The lower debt to equity ratio shows that the higher the success of the company in financing the overall obligations. Debt growth that occurs will have an effect on dividends, because companies prefer to pay debts rather than paying dividends to investors.

Growth assets can be used as a measure of growth in assets that are used as a measure in assessing operational activities in a company. The higher the growth in a company, the greater the need for funds needed in financing the development of the company. If the need to finance the growth of a company in the future is higher, then the company tends to hold inward debt paying it as dividends to investors.

According to Irawati (2008), profitability ratio is "a ratio that can be used as a benchmark of efficiency to the use of assets in a company or also an ability to earn profits on a company in a certain period of time, in order to see the company's performance in operating efficiently." If the earnings per share (profit per share) of a company increases, the higher the dividend rate will be shared. Increasing the level of dividend payments, will signal to investors that the company's profitability is getting better.

Research Purposes

Referring to the problem statement, the objectives of this study are:

1. To analyze the effect of the current ratio on dividendper share.
2. To analyze the effect of debt to equity ratio on dividends per share.
3. To analyze the effect of growth assets on dividends per share.
4. To analyze the effect of learning per share on dividends per share.
5. To analyze the influence of the current ratio, debt to equity ratio, growth assets, and earnings per share to dividendper shares.

II. Theoretical Review

2.1 Dividend

Dividend is the profit sharing obtained by the company to shareholders which is proportional to the number of shares held. Dividends can be in the form of cash or shares. Stice et al. (2005) in Suharli (2007) interpret dividends as profit sharing to shareholders of company shares that are proportional to the number of shares held by each owner. Dividends that will be given to the shareholders can be expressed as a percentage of the value of the shares or the amount of money per share owned.

2.2 Current Ratio

Liquidity Ratio is the ability of a company to fulfill its financial obligations in the short term. The company's liquidity is very influential on the size of the dividends paid, so that the strength of a company's liquidity position on the prospects of future funding needs, the higher the cash dividends paid. This shows that the strength of the company's liquidity position, the greater the ability to pay dividends. There are also companies with very good liquidity conditions but pay low dividends because profits earned by the company are invested in the form of machinery and equipment, inventory and other items, not stored in cash. One of the variables used in the liquidity ratio is the current ratio.

Current ratio is a ratio used to measure a company's ability to pay short-term liabilities or debts that are immediately due when billed as a whole (Kasmir, 2008). A high current ratio gives an indication of good guarantees for short-term creditors, in the sense that every time the company has the ability to pay off its short-term financial obligations. However, a high current ratio has a negative influence on the ability to earn profits (profitability) because some working capital does not spin or experience unemployment. In relation to dividends, the higher the current ratio shows the higher the company's ability to pay the promised dividends.

2.3 Debt to Equity Ratio

Debt to equity ratio is the ratio used to measure the level of leverage (debt use) against the total shareholders' equity owned by a company. This factor shows the ability of the company to fulfill all its obligations as indicated by several parts of its own capital which are used to pay off debt. If the company determines that the repayment of its debt is taken from retained earnings, then the company must hold a large portion of its income for this purpose, which means that only a small portion of the income can be paid as dividends. This increase in debt will affect the level of net income available to shareholders, meaning that the higher the obligation of the company, the lower the company's ability to pay dividends (Sudarsi, 2002).

2.4 Growth Asset

Assets are assets that are used for operational activities in a company. The greater the assets owned, the greater the expected operational results produced by a company. Increasing assets followed by increased yields will further increase the confidence of outsiders in the company. Asset growth is the impact of the flow of company funds from operational changes caused by growth or decline in assets. To realize an investment that can support growth in a company, the maximum funds needed to increase profits for the company. The amount of dividend payment by the company will be influenced by the presence or absence of a profitable opportunity, then the funds obtained from the company's operations will be used for investment, so if there are any leftovers then the remainder will be distributed as dividends. Therefore, more funds are needed to achieve higher corporate growth. Riyanto (2001) says the faster the growth rate of a company, the greater the need for funding for the future to finance its growth. These companies will usually be more happy to hold their income than to be paid as dividends.

2.5 Earning Per Share

According to Fahmi (2011) earnings per share or profit per share is a form of profit obtained from each sheet of ordinary shares owned. Earning per share that is shared is one of the important information for investors in the capital market in making investment decisions. Thus, earnings per share describes important information for making predictions about the amount of dividends per share and the level of stock prices in the future, and earnings per share is also relevant to assess the effectiveness of management and dividend payment policies. Positive growth of earnings per share gets a greater share of profit in the future for each share that it has. Earning per share variable is a proxy of earnings per share of the company which is expected to provide an overview for investors regarding the share of profits that can be obtained in a given period by owning a share. This is based on the idea that the value of a company basically depends on the company's ability to generate profits which are a source of funds to pay dividends.

III. Materials and Method

3.1 Types of Research

This study uses a causal associative research design. Causative associative research is research that aims to identify causal relationships between various variables according to (Erlina, 2008). This study aims to examine the influence of the independent variables on the dependent variable on companies listed on the Indonesia Stock Exchange Property and Real Estate sector from 2013 to 2017.

3.2 Location and Time of Research

The research location used by researchers is in the Medan Stock Exchange in Indonesia at Jl. Ir. H. Juanda Baru No. A5-A6, Ps. Merah Bar., Medan Kota, Medan City, North Sumatra. This study uses secondary data, so that it can be accessed by using the internet through the site www.idx.co.id.

3.3 Analysis of Panel Data Regression

Panel data regression model According to Ekananda (2014), in the regression model estimation method using panel data can be done through three approaches, including common effect model, fixed effect model, random effect model.

IV. Results and Discussion

4.1 Descriptive Statistics Analysis

Cash dividends can be measured by Dividend Per Share (DPS). DPS is the ratio of total cash dividends to the number of shares. In Table 4.2 can be seen the average value of the DPS variable is 37.65982 with a standard deviation of 86.95593. Which is where the standard deviation value is greater than the average value. That is, that the data deviation is large so that the data is spread normally. The minimum DPS variable value of 1.000000 is owned by the company Perdana Gapuraprima Tbk (GPRA) in 2017 and the company Pudjiadi Prestige Limited Tbk (PUDP) in 2017. The maximum value of 369,0000 is owned by the company Metropolitan Kentjana Tbk (MKPI) in 2016 and year 2017.

Profitability as measured by Current Ratio (CR) is a comparison of current assets with current debt. In Table 4.2 can be seen the average value of the CR variable of 2.175091 with a standard deviation of 1.434514. Which is where the standard deviation value is smaller than the average value. That is, the data deviation is small so the data is not spread. The minimum CR variable value of 0.060000 is owned by the Metropolitan Kentjana Tbk (MKPI) company in 2016. While the maximum value of 6.910000 is owned by the company Lippo Karawaci Tbk (LPKR) in 2015.

Leverage as measured by Debt to Equity Ratio (DER) which is the ratio of total debt to total equity. In Table 4.2 can be seen the average value of the DER variable is 0.913909 with a standard deviation of 0.445167. Which is where the standard deviation value is smaller than the average value. That is, the data deviation is small so the data is not spread normally. The minimum DER variable value of 0.001000 is owned by the company Perdana Gapuraprima Tbk (GPRA) in 2015. The maximum value of 2.240000 is owned by the Gowa company Makassar Tourism Dev. Tbk (GMTD) in 2013.

Growth Asset is a ratio of total assets year t to total assets in year t-1 divided by total assets in year t-1. In Table 4.2 can be seen the average value of Growth Asset variable is 0.182255 with a standard deviation of 0.157200. Which is where the standard deviation value is smaller than the average value. That is, the data deviation is small so the data is not spread normally. The minimum Asset Growth variable value of -0.164000 is owned by the Gowa company Makassar Tourism Dev. Tbk (GMTD) in 2015. While the maximum value of 0.804000 is owned by the company Pakuwon Jati Tbk (PWON) in 2014.

Profitability as measured by Earning Per Share (EPS) is a comparison of net income with the number of outstanding shares. In Table 4.2 can be seen the EPS variable average value of 203.7273 with a standard deviation of 362.1392. Which is where the standard deviation value is greater than the average value. That is, that the data deviation is large so that the data is spread normally. The minimum variable value of EPS of 7.000000 is owned by the company Pudjiadi Prestige Limited Tbk (PUDP) in 2016. While the maximum value of 1265,000 is owned by the company Metropolitan Kentjana Tbk (MKPI) in 2016.

4.2 Results and Discussion

a. Effect of Liquidity on Per Share Dividends

The results of the partial test that have been done, it is known that the current ratio variable has a positive effect but not significant to the dividend per share. That is, when CR increases, it is not certain that the dividend per share of the company will also increase. This is because the company's liquidity is not used to pay dividends, but is allocated for the purchase of permanent assets or permanent current assets not to pay dividends. To take advantage of existing investment opportunities as well as for operational costs. So that if the company's liquidity gets higher then dividend distribution will not change. So, high company liquidity will not have an impact on the high dividend distribution. The results of this study support the research conducted by Yulia (2009), which states that company liquidity does not have a significant effect on dividend per share.

b. Leverage Effect on Per Share Dividends

The results of the partial tests that have been done, it is known that the variable debt to equity ratio has a positive but not significant effect on dividends per share. The results showed that leverage has a positive effect, which means that an increase in debt can increase a company's ability to pay dividends, as long as the use of debt must always be accompanied by an increase in sales so that the company's profits will also increase and the dividend payment will also increase. However, the results of the study on the variable debt to equity ratio did not significantly influence the dividend per share, which means that when the DER increases, the dividend per share of the company does not necessarily increase.

It can be concluded that if the higher debt owned by the company will not affect dividend policy because the company prefers financing by using its own capital rather than funds from outside parties, this can not 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 (2009) which states that company leverage does not significantly influence dividend per share.

c. Effect of Growth Asset on Per Share Dividends

The results of the partial tests that have been done, it is known that the growth asset variable has a positive but not significant effect on dividends per share. That is, the higher the growth assets, the less the dividend per share generated will also increase. This is because companies tend to have more funding alternatives, 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, the greater the expected operational results produced by the company. An increase in assets followed by an increase in operating results will further increase the creditor's trust 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 the research conducted by Ibrahim (2012) which states that growth assets have no significant effect on DPS. However, this study contradicts the research conducted by Hatta (2002) which shows that asset growth has a significant effect on dividends per share.

d. Effect of Profitability on Per Share Dividends

The results of the partial tests that have been done, it is known that earnings per share variables have a positive and significant effect on dividends per share. That is, the greater the level of a 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 if the opposite happens. This is also related to the company's ability to increase its profits, which in that profit 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 (earning per share), this is due to an increase in profits, the dividends to be received by shareholders will also increase, so earnings per share has an effect on dividends per share.

In this study large profit companies prefer to share it as a 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.

e. Effect of Liquidity, Leverage, Growth Asset, and Profitability on Per Share Dividends

Simultaneous testing results are known, it is known that the probability value (0.000000) $< \alpha$ (0.05). That is, together the current ratio variables, debt to equity ratio, growth assets, and earnings per share have a significant effect on dividends per share in the Property and Real Estate Sector Companies listed on the Indonesia Stock Exchange for the period 2013-2017. The results of this study indicate that if the current ratio variable, debt to equity ratio, growth assets, and earnings per share increase, then the dividend per share of the company can also increase.

4.3 Research Implications

The results of research conducted on the Property and Real Estate sector companies listed on the Indonesia Stock Exchange in the period 2013-2017 concluded that earnings per share had a significant positive effect on dividends per share, so it can be stated that an increase in earnings per share will increase dividends per share. That is, the greater the level of the company's ability to generate profit per share, it will affect the amount of cash dividends distributed by the company to investors, as well if the opposite happens. Thus, profit is the main indicator in paying dividends.

For investors this ratio is needed to determine the company's ability to generate earnings (earnings) per share. This is based on the idea that the value of a company basically depends on the profit that the company has which is a source of funds in paying dividends. Thus it can be concluded that the high and low value of earnings per share will affect investors' decisions in buying shares of a company. Investors will be more interested in buying these shares if the earnings per share is higher.

For the company to make a dividend policy decision to consider the earnings per share variable more. This is because with a large profitability, the company can pay more dividends to investors so that it can attract investors to invest in the company.

From the implications of the results of the research, investors will see the relationship between earnings per share and the share of ownership they have in a company, as a measure of whether or not they will invest in a company.

V. Conclusion and Suggestion

Conclusion

From the discussion described in the previous chapter, the conclusions can be drawn as follows:

1. Current Ratios have a positive effect but are not significant for dividends per share. The results of this study indicate that the high and low levels of liquidity do not mean affecting 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 high and low levels of leverage do not mean affecting the size of the dividend per share.
3. Growth Asset has a positive but not significant effect on dividends per share. The results of this study indicate that the high and low levels of growth assets do not mean affecting the size or dividend per share.
4. Earning Per Share has a positive and significant influence on dividends per share. The results of this study indicate that the level of earnings per share means that it affects the amount or dividend per share.
5. Current Ratio, debt to equity ratio, growth assets, and earnings per share simultaneously have a significant effect on dividends per share.

Suggestion

From the results of the analysis of the discussion and some of the conclusions mentioned above, the authors provide the following suggestions:

1. For (prospective) investors who will conduct transactions on the Indonesia Stock Exchange, they should pay attention to information about dividend distribution given by the company, in connection with the decision to invest.
2. The company prior to dividend distribution policy must first examine what factors affect the size of the dividend distribution, so that it is mutually beneficial between the company and the investor.
3. The variables studied can be added so that they can describe dividend distribution more accurately.
4. The company is expected to distribute cash dividends in an amount that is always up or with a stable amount every year. This is done to increase the confidence of investors to invest their capital and motivate managers to work better so that agency conflicts that arise can be minimized.
5. Future research is expected to use a longer observation period.

Reference

[1]. Ekananda, Mahyus. (2014). *Analisis Ekonometrika Data Panel*. Jakarta: Mitra Wacana Media.
[2]. Erlina. (2008). *Metodologi Peneltian Bisnis: Untuk Akuntansi dan Manajemen, Edisi Kedua, Cetakan Pertama*. Medan: USU Press.
[3]. Fahmi, Irham.(2011). *Analisis Kinerja Keuangan*. Bandung: Alfabeta.
[4]. Hatta, Atika J 2002. *Faktor-faktor yang mempengaruhi Kebijakan Dividen: Investasi Pengaruh Teori Stakeholder*. JAAI Vol.6 No.2 Desember 2002.
[5]. Ibrahim. (2012). *Manajemen Keuangan, Cetakan Ketiga*. Jakarta: PT. Bumi Aksara.
[6]. Irawati, Susan. 2008. *Manajemen Keuangan*. Pustaka: Bandung.
[7]. Kasmir. (2008). *Analisis Laporan Keuangan*. Jakarta: PT. Raja Grafindo Persada.
[8]. Riyanto, Bambang. 2001. *Dasar-Dasar Pembelanjaan Perusahaan*. Yogyakarta: BPFE.
[9]. Santoso, B. 2009. *Property Crash: Kejatuhan Bisnis Properti dan Strategi Menghadapinya*. Jakarta: PT. Elex Media Komputindo.
[10]. Sudarsi. (2002). *Hubungan antara Dividen, Leverage Keuangan, dan Investasi*. Jurnal Akuntansi & Manajemen Vol.XVI No.3 Desember. p.219-230.
[11]. Suharli, M. 2006. *Studi Empiris Mengenai Pengaruh Profitabilitas, Leverage, dan Harga Saham terhadap Jumlah Dividen Tunai (Studi pada Perusahaan yang Terdaftar di Bursa Efek Jakarta Periode 2002-2003)*. Jurnal MaksiVol.6 No.2 Agustus. p.243-256.

[12]. Sunarto dan Andi Kartika.2003. *Analisis Faktor-Faktor yang Mempengaruhi Dividen Kas di Bursa Efek Jakarta*. Jurnal Bisnis dan Ekonomi.Vol 5,No.2.
[13]. Yulia. (2009). Manajemen Keuangan Perusahaan, Jilid Satu, Edisi Ketiga. Jakarta: Penerbit Bayu Media.

IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with Sl. No. 4481, Journal no. 46879.

Vani Gabriella Saragih. " Analysis on The Policy on Dividend at Property and Real Estate Companies Listed in The Indonesia Stock Exchange (a Case Study in The Period of 2013-2017) ." IOSR Journal of Business and Management (IOSR-JBM), Vol. 21, No. 5, 2019, pp. -.57-63