

Research Article

Determinants of Fundamental Factors on Dividend Policy on the LQ45 Sharia Stock Index in Indonesia

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Abstract.

This study aims to empirically examine the factors that are considered to influence dividend policy on the LQ 45 Sharia Stock Index in Indonesia. Dividend policy is closely related to determining the profit that will be distributed among shareholders and reinvestment as retained earnings. The independent variables in this study include Current Ratio (CR), Return on Equity (ROE), Debt to Equity Ratio (DER), and Earning Per Share (EPS). While the dependent variable is the Dividend Payout Ratio (DPR). The type of research is quantitative research that uses secondary data. The sampling method used was purposive sampling. It was found that 13 companies distributed dividends consecutively during the study period, namely 2016–2022. The data analysis technique used is multiple regression analysis with panel data as the method of analysis. Liquidity (CR) and Profitability (ROE) have no significant effect on the Dividend Payout Ratio (DPR). While Leverage (DER) and Earning per Share (EPS) have a significant influence on the Dividend Payout Ratio (DPR).

Keywords: dividend payout ratio, current ratio, return on equity, debt to equity ratio, earning per share

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1. Introduction

Indonesia has a lot of potential to be able to develop sharia economic activities, including an integration-based capital market because it has a majority Muslim population. In addition, capital flows from various Muslim countries are willing to invest and Islamic financial instruments represent a huge capital market potential. From the supply side, many companies need capital and offer sharia-based capital market products. Along with the development of the Indonesian capital market, in general the Islamic capital market is regarded as one of the pillars that shape the strength of the Indonesian capital market industry based on sharia products [1].

In Islam, investing activities are categorized as muamalah, namely an activity that regulates human relations. In Islamic rules, all muamalah activities are permitted (mubah) unless there is a prohibition (there are elements of usury, maysir, and gharar). Buying and

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selling shares or investing in shares in Islam is basically a form of syirkah, mudharabah, entrepreneurs and owners of capital both want results and can be shared on the basis of loss and profit sharing.

The Covid-19 pandemic which has plagued the world since the end of 2019 and was first announced in Indonesia in March 2020 has had an impact on changes that have occurred in various aspects of life, including the economy. Many companies have suffered losses and even went bankrupt and caused investors to hesitate in investing. Under these circumstances, investors must be careful in carrying out a holistic and diverse investment portfolio, because stock markets around the world are on average [2]. Companies compete in attracting investors to invest, so companies get funding from the capital market. With alternative funding from the capital market, companies can operate and develop their business and the government can finance various activities so as to increase the country's economic activities and the prosperity of the wider community [3]. While investors have the main goal to get a return on invested capital. Investors prefer dividend distribution over capital gains on the grounds that dividend risk is lower and is considered more certain than share ownership (capital gain). Dividends are a distribution of company profits to shareholders on a pro-rata basis and are paid in cash (dividend cash) and or shares (dividend stock), the amount of which will be determined based on the General Meeting of Shareholders (GMS) [4]. The theory of the bird in the hand (bird in the hand theory) explicitly states that investors prefer dividends that increase because of certainty while expecting an increase in stock prices (capital gains) is considered something that is uncertain. Dividend value represents shareholders' receipt of direct or indirect returns on their investment in the company [5].

Dividend policy is an important decision in maximizing company value in addition to investment decisions and capital structure. Dividend policy is a way for managers to manage profits, with two choices, namely dividing dividends in the largest possible amount or managing dividend returns or reinvestment for sustainability and increasing the value of the company in the future. The size of the dividend to be paid by the company depends on the dividend policy of each company [6]. A company's dividend policy will involve two interested and conflicting parties, namely the interests of shareholders who expect dividends and the company's interests in retained earnings. In this case, investors entrust their capital to the company. This is in accordance with the word of Allah SWT namely:

فَإِنْ أَمِنَ بَعْضُكُم بَعْضًا فَلْيُؤَدِّ الَّذِي أُؤْتِمِنَ أَمَانَتَهُ وَلْيَتَّقِ اللَّهَ رَبَّهُ

Meaning: “But if some of you trust some of the others, let those who are trusted carry out their mandate and let them fear Allah, their Lord.”

Dividend policy is an integral part of the company’s funding decisions. The dividend payout ratio determines the amount of retained earnings as a source of funding, the greater the retained earnings means the less amount of profit allocated for dividend payments. Every company always wants growth for the company on the one hand and can also pay dividends to shareholders on the other hand, but these two goals are always in conflict. Because if the higher the rate of dividends paid, it means that less profit is retained, and as a result it inhibits the growth rate (rate of growth) in earnings and share prices, and vice versa. The percentage of income that will be paid to shareholders as cash dividend is called the Dividend Payout Ratio.

Dividend Payout Ratio (DPR), namely the percentage of profits distributed in the form of cash dividends, meaning that the size of the DPR will affect the investment decisions of shareholders and on the other hand can affect the company’s financial condition. The company’s management can set a low fixed dividend, so low that the company can pay it in years when profits are small or in years when large enough funds are needed for reinvestment and add extra dividends in years when excess funds occur [7].

TABLE 1: Dividend Payout Ratio (DPR) of LQ 45 Sharia companies in 2016-2021.

Company Code	2016	2017	2018	2019	2020	2021
ACES	0.4	0.5	0.5	0.3	0.3	0.5
ADRO	30.21	51.75	24	62	62	46
ANTM	0	35	35	35	35	35
CPIN	15.43	55.31	0	0	54.63	47.8
ICBP	50	50	50	50	38	38
INDF	50	50	50	50	38	38
INTP	88.4	138.6	176.7	100.3	112.88	113
PTBA	0	30	75	75	0	74
PWON	13.29	12.18	0	0	0	6
SMGR	40	40	40	10	0	20
TLKM	70	75	90	81.78	0	74
UNTR	39.9	44	39.9	39	5	7
WIKA	30	20	20	20	20	20

Then, based on table 1, it can be seen that there has been an increase in the DPR level obtained by INTP companies. Meanwhile, due to the Covid pandemic in 2020 PTBA, PWON, SMGR, TLKM did not distribute dividends. In ACES, ADRO, ICBP, INDF,

INPT, PTBA, TLKM, UNTR, WIKA companies, the level of DPR has increased from the years before the pandemic, namely in 2017 and 2019.

Regarding this phenomenon, investors must be observant of the company's performance in generating profits and the company's ability to pay obligations when the world economy is experiencing changes as it is today. Company performance projections and fundamental analysis are a reference for investors in assessing the company's shares that will be the target of investment. It is certain that companies that are economically capable of paying large dividends are companies that are fundamentally said to be good (healthy) [8].

Therefore, it is necessary to do research on the factors that influence DPR policy on financial service companies because of course the characteristics of financial service companies are different from manufacturing companies. The factors that will be discussed in this study are profitability, liquidity, debt policy, institutional ownership, growth, and company size. Profitability is the company's ability to generate profits. The profits obtained by a company will affect the size of the dividends to be distributed. The greater the profits obtained by the company, the greater the company's ability to pay dividends. However, a problem arises, whether the profits earned will be retained as a source of internal company funds or distributed as dividends. The results of the study [9] prove that profitability has a direct or positive relationship with dividend policy, so that the higher the level of profitability, the greater the dividends distributed by the investee to investors.

Liquidity shows the company's ability to meet short-term financial obligations. The higher the company's liquidity, the higher the company's ability to pay dividends should be. Companies that can pay dividends in cash illustrate the high liquidity position of the company. The research results of [10] and [11] show that liquidity has a significant influence because reduced dividends are associated with a lack of liquidity and company profitability [11].

The market ratio is measured using Earning Per Share (EPS), according to [12] EPS is one of the market ratios that shows the amount of share income that can be obtained from each share owned. This is because the greater the profit after tax generated, the greater the EPS (in a constant number of shares). So that the company's ability will be greater to be able to pay dividends to shareholders

Debt policy is a financial policy that concerns sources of funds obtained from external sources of company funds [13]. The use of external funding sources in the form of debt will of course have consequences for the emergence of obligations for the company in the form of fixed interest expenses. This results in the company considering this as a

policy that can affect the size of the dividends that will be shared by the company. Of course, it is logical that companies that depend a lot on debt from external sources will pay smaller dividends than companies that do not have debt. According to [14] states that companies will reduce dividend payments, if most of the profits earned are used to pay debts and fixed interest expenses.

One indicator for measuring a company's debt policy is to use the Debt to Equity Ratio (DER). The Debt to Equity Ratio is a ratio that shows the percentage of funds provided by shareholders to lenders [12] The greater the Debt to Equity Ratio, the greater the loan capital so that it will cause the greater the debt burden (interest costs) that must be borne by the company, the greater the company's debt burden, the amount of profit distributed as cash dividend will decrease. This a high Debt to Equity Ratio has an impact on the smaller the company's ability to distribute cash dividends or vice versa.

This study aims to measure the effect of profitability (return on assets), liquidity (current ratio), debt policy (debt to equity ratio), market ratio (earnings per share) in companies listed on the Lq45 Index of Islamic Stocks on the IDX.

2. Literature Review

2.1. Dividen

Attribution Dividend is the distribution of profits to shareholders by the company, dividends can be divided into two, namely in the form of cash or shares. Cash dividends are generally more attractive to shareholders than stock dividends [8] Dividends are distributions by companies to their shareholders based on company profits. Shareholders have the right to a proportional share of each dividend where shares in a certain class will receive the same dividend [15] From the several opinions regarding the meaning of dividends above, it can be concluded that dividends are a distribution of profits to shareholders according to the resolution of the general meeting of shareholders and is proportional to the number of shares held by each owner. Dividends can be in the form of shares or cash [16]. The purpose of dividend distribution is:

To maximize prosperity for shareholders. This is because some investors invest their funds in the capital market to obtain dividends and the high dividends paid will affect stock prices. Investors believe that the high dividend paid means that the company's future prospects are good.

By paying dividends, it is expected that the company's performance in the eyes of investors will be good.

To meet the needs of shareholders for fixed income that is used for consumption purposes. d) Some investor view that dividend risk is lower than capital gain risk.

Dividends can be used as a means of communication between managers and shareholders. Investors often do not know the overall information about the company's internal conditions, so through dividends the company's growth and prospects can be known. Related to dividends there are 3 important dates, namely announcement, recording, and payment or distribution. In PSAK No. 23, formulates dividends as profit distributions to equity investment holders according to their proportion of certain types of capital [16].

Dividend is the value of the company's net income after tax minus retained earnings which are held as company reserves [17]. This dividend is to be distributed to shareholders as a profit from the company's profits. If the company issuing shares is able to generate large profits, it is possible that the shareholders will enjoy benefits in the form of large dividends as well. There is no limit to determining the amount of funds allocated for dividend payments, but depending on the General Meeting of Shareholders (GMS), whether the profit will be allocated for dividend payments or for retained earnings.

If cash dividends increase, there will be less funds available for reinvestment, so the expected growth rate will be low for the foreseeable future. This will depress the share price, so any change in distribution policy will have a conflicting effect. this the company's optimal dividend policy is a policy that creates a balance between current dividends and future growth that maximizes stock prices [16].

2.2. Dividen Policy

Dividend policy is a decision about whether the net profit earned by the company at the end of the year will be distributed to shareholders in the form of dividends or will be withheld to increase capital to finance investment in the future [18]. The main goal of investors investing in a company is to increase their welfare and expect returns in the form of dividends, while companies want continuous company growth to maintain operational continuity as well as provide welfare to shareholders. So that the value of the company is strongly influenced by the dividend policy. Dividend policy is important to meet shareholders' dividends without hampering company growth on the other hand [19] Dividends are the value of net income at a company after tax minus retained earnings which are held as company reserves. This dividend is to be distributed to shareholders as a profit from the company's profits. If the company issuing shares is able to generate large profits, it is possible that the shareholders will enjoy benefits in the form of large

dividends as well. There is no limit to determining the amount of funds allocated for dividend payments, but depending on the General Meeting of Shareholders (GMS), whether the profits will be allocated for dividend payments or for retained earnings [19]. Some argue that the dividend policy has no effect on the company's stock price or on the cost of capital. If it doesn't have a significant effect, then it's irrelevant [20] Much debate is related to dividends. Their opinions differ from each other, even contradict each other. The following are various theories that have emerged along with research on dividends.

The main proponents of this theory are Merton Miller and Franco Modigliani.

Tax preference theory According to this theory, individuals will choose whether to receive the company's income distribution as dividends or capital gains. If the tax liability for the distribution of capital gains from capital gains is lower than the tax on dividends, investors will prefer capital gains.

Dividend relevance theory (Gordon's Model) According to Gordon, dividend policy is relevant to firm value. In this case, investors will prefer dividend payments to be received at this time than capital gains to be received in the future. According to this theory, investors will feel safer to get dividends now than capital gains in the future which is full of risk and uncertainty. This opinion received much criticism from Modigliani and Miller. Modigliani and Miller argue and have proven mathematically that investors feel the same whether they receive current dividends or receive capital gains in the future. In other words, the required profit level is not affected by the dividend payout ratio [21]. They argue that the value of a company is only determined by its basic ability to generate profits and business risks. If a company pays a higher dividend than the investor want he or she can use the unwanted dividend to buy more shares of the company.

Dividend irrelevance theory is a theory which states that dividend policy has no effect on firm value. This theory is the opinion of Modigliani and Miller (M-M) which states that the value of a company is not determined by the size of the Dividend Payout Ratio (DPR) but is determined by net profit before tax (EBIT) and business risk. This the dividend policy is actually irrelevant to be questioned. Apart from these three theories, there are several other theories related to dividends, namely:

The clientele effect states that different groups of shareholders will have different preferences for the company's dividend policy. Investor groups who need current income prefer a high dividend payout ratio. On the other hand, a group of investors who don't really need money at the moment are more than happy if the company retains most of the company's net profit.

Signaling Theory, this theory was first proposed by Bhattacharya. A good company will get the expected profit signal through distributing dividends, recovering tax costs, and increasing share prices. With the dividend payment signal, investors assume that the company is in good condition.

2.3. Dividend Payout Ratio

One indicator that shows the value of dividends distributed by companies to investors is the Dividend Payout Ratio (DPR). Dividend Payout Ratio is the percentage of company income given to shareholders in cash. "Decisions regarding the dividend payout ratio are decisions concerning how and in what form dividends are paid to shareholders [22] The Dividend Payout Ratio is a ratio that shows the amount of dividends distributed by the company to investors. Often a dilemma for companies in carrying out the dividend policy itself. On the one hand investors demand to distribute a number of dividends after an agreement at the General Meeting of Shareholders in order to gain confidence in the sustainability of the company's prospects in the future, on the one hand the company wants to retain its profits for investment development to enlarge the company. Considerations regarding the dividend payout ratio are thought to be closely related to the company's financial performance. If the company's financial performance is good, the company will be able to determine the amount of the dividend payout ratio in accordance with the expectations of shareholders and of course without ignoring the interests of the company to stay healthy and grow. The dividend payout ratio is measured by comparing cash dividends per share to the profit earned per share.

2.4. Profitability

According to [23] Profitability (profitability-overall efficiency and performance) is a measure that shows the implementation (performance) of the company as a whole or how efficient the management of assets, liabilities and equity is. Given that the company's goal is to make a profit, the profitability ratio is one of the important financial ratios[23]. This element directly affects cash flows in the future resulting from increasing profits and or an increase in the value of the company's shares. According to [23] one of the profitability ratios can be measured using the ratio of the rate of return on shareholder equity (Return on Equity). The net profit earned during a certain period can be expressed as the return on owners equity (ROE) which measures the productivity level of the

company's use of equity. The formula for calculating the rate of return on shareholder equity (ROE) is as follows:

$$\text{ROE} = \frac{\text{Net income}}{\text{Owner's Equity}}$$

2.5. Liquidity

In general, the main interest of financial analysis is a measure of company liquidity. According to [23] Liquidity (Liquidity-short-term solvency), which is a measure that shows the ability of the company (ability of the company) to fulfill or pay short-term obligations According to [23] one of the liquidity ratios can be measured using the current ratio ratios). This ratio shows the company's ability (ability of the company) to meet or pay all short-term obligations using existing sources in current assets. This ratio indicates short term solvency. The current ratio can be calculated by the following formula:

$$\text{CR} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

2.6. Leverage

According to [23] this ratio is a measure that shows a company's ability to carry out its business stably, which is measured by considering the company's ability to pay interest expenses on its debts and ultimately pay these debts on time. According to [23], one of the leverage ratios can be measured using the debt to equity ratio (Debt to Equity Ratio). This ratio compares the amount of interest-bearing loans withdrawn by the company with shareholder equity. The formula for calculating the DER ratio is:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

2.7. Market Ratio

The market ratio is an indicator to measure which stocks have the potential to provide dividends for investors. This ratio measures the market price of a company's stock relative to its book value. One of the ratios belonging to the market ratio is Earning Per Share (EPS). [12]states that EPS is one of the market ratios that shows the amount of share income that can be obtained from each share owned [12]. Earning Per Share shows the company's ability to provide returns on each common share [24]. To calculate EPS, the following formula is used:

$$\text{EPS} = \frac{\text{Laba per saham}}{\text{Jumlah saham yang beredar}}$$

Effect of Liquidity on Dividend Payout Ratio According to [23] a company can pay dividends if it fulfills 3 (three) conditions, namely:

Sufficient retained earning

Sufficient cash available, and

Formal action from the board commissioner.

The availability of sufficient cash can be measured using the liquidity ratio. The liquidity ratio shows the company's ability to meet its short-term obligations. According to Bambang [25] liquidity problems are related to the problem of a company's ability to fulfill its financial policies which must be fulfilled immediately. Liquidity has a positive effect on the dividend payout ratio, so that the stronger the liquidity position, the greater the expected dividend payout ratio. According to [23], one of the liquidity ratios can be measured using the current ratio. This ratio shows the company's ability (ability of the company) to meet or pay all short-term obligations using existing sources in current assets. This is supported by research by [12] which shows that the CR variable has a significant effect on the DPR. Based on the description above, the hypothesis is formulated as follows:

H1: There is an effect of the liquidity ratio as measured using the Current Ratio (CR) on the amount of the Dividend Payout Ratio (DPR) on the LQ45 Islamic stock index.

The Effect of Profitability on Dividend Payout Ratio According to [26, 27] profitability is a company's ability to generate profits and dividends will be shared if the company earns profits. If the profit earned is small, then the dividend that will be distributed is also small. In order for shareholders to enjoy large dividends, management will try to obtain the maximum profit in order to increase the ability to pay dividends. According to [23] one of the profitability ratios can be measured using the ratio of the rate of return on shareholder equity (Return on Equity). The net profit earned during a certain period can be expressed as the return on owner equity (ROE) which measures the productivity level of the company's use of equity. This is supported by the research of Michell [10] which shows that ROE has a significant effect on the DPR [28]. Based on the description above, the hypothesis is formulated as follows:

H2: There is an effect of the profitability ratio as measured using Return on Equity (ROE) on the amount of the Dividend Payout Ratio (DPR) on the LQ45 Islamic stock index.

The Effect of Leverage on the Dividend Payout Ratio One indicator to measure a company's leverage is to use the Debt to Equity Ratio (DER). According to [28] Debt to Equity Ratio is a ratio that shows the percentage of funds provided by shareholders to

lenders. The greater the debt to equity ratio, the greater the loan capital so that it will cause a greater burden of debt (interest costs) that must be borne by the company. The greater the company's debt burden, the amount of profit distributed as cash dividends will decrease. This a high debt to equity ratio has an impact on the smaller the company's ability to distribute cash dividends or vice versa. This is supported by Purwanti's [29] which shows that DER has a significant effect on the DPR [29]. Based on the description above, the hypothesis is formulated as follows:

H3: There is an effect of the Leverage ratio as measured using the Debt to Equity Ratio (DER) on the amount of the Dividend Payout Ratio (DPR) on the LQ45 Islamic stock index.

Effect of Market Ratio on Dividend Payout Ratio [28] states that EPS is one of the market ratios that shows the amount of stock income that can be obtained from each share owned. This is because the greater the profit after tax generated, the greater the EPS (in a constant number of shares). So that the company's ability will be greater to be able to pay dividends to shareholders. This is supported by the results of research by [28] which states that Earning Per Share has a significant effect on the Dividend Payout Ratio. Based on the description above, the hypothesis is formulated as follows:

H4 : There is an effect of the Market Ratio as measured using Earning Per Share (EPS) on the amount of the Dividend Payout Ratio (DPR) on the LQ 45 sharia stock

3. Research Methods

3.1. Object of research

The research sample was selected through a purposive sampling technique, based on:

1. Work at accounting firms registered with IAPI to ensure that research objects are still actively working in the audit field.
2. Auditor position (junior, senior, supervisor, manager).
3. Minimum experience one year as an auditor so that the object of research is able to provide a consistent opinion in accordance with their work experience.

Determining the number of samples using the Lemeshow formula due to the unknown number population. The minimum sample required for this study is 96 respondents.

3.2. Research methods

3.2.1. Method Used

The research method is a scientific way to obtain data with specific purposes and uses [30]. In general, data that has been obtained from research can also be used to understand, solve and anticipate problems.

3.2.2. Quantitative Method

The method used in this study is a descriptive and verification method with a quantitative approach in the form of secondary data obtained by accessing the websites www.idnfinancials.com and www.idx.co.id.

The quantitative research method is a research method that is based on the positivism school of thought used to examine certain populations or samples, collecting data using research instruments, analyzing data that is quantitative, with the aim of testing predetermined [30]. The use of quantitative methods has the aim of describing whether a fact is true or not and at the same time proving a predetermined hypothesis, namely the relationship between the independent variables.

3.2.3. Descriptive method

According to descriptive method analysis is a method used to analyze data by describing or giving an overview of the data that has been collected without intending to make general conclusions or generalizations. This descriptive analysis method aims to find out the description of the variables studied, namely another.

3.3. Population and Sampling Technique

The research population is a generalized area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions [30] In this study, the population that became the object of research included companies listed on the Indonesia Stock Exchange (IDX) for the period 2016 – 2022, totaling 45 companies. Researchers will examine based on the annual financial statements of companies listed in LQ 45 Islamic stocks.

3.4. Panel Data Regression Analysis

Finally, the data analysis method used in this study uses the panel data regression analysis method. There are several steps that must be taken to carry out data analysis in this study, namely:

Estimating modeling through 3 methods used to work with panel data, namely the Common Effect model, Fixed Effect model, and Random Effect model.

Followed by determining the best model through the Chow Test and Hausman Test.

Perform interpretation through significant test of panel data regression parameters which include Simultaneous Test (F Test) and Partial Test (t Test).

4. Results and Discussion

There are three tests used to determine the most appropriate technique for estimating panel data regression. First, the fixed effect significance test (Chow test) is used to choose between the common effect or the fixed effect method. Second, the Hausman test is used to choose between a fixed effect or a random effect. Third, the Lagrange Multiplier (LM) test is used to choose between the common effect or the random effect. This test is carried out with the following hypothesis:

Uji Chow

H0 : Common Effect Model

H1 : Fixed Effect Model

Uji Hausman

H0 : Random Effect Model

H1 : Fixed Effect Model

Uji Lagrange Multiplier

H0 : Common Effect Model

H1 : Random Effect Model

Test Criteria

Reject H0 dan accept H1 jika Prob. $< \alpha$ 5% (0.05),

Accept H0 dan reject H1 jika Prob. $> \alpha$ 5% (0.05).

The following presents the results of selecting the panel data regression model for the PBV and stock price models using the help of Eviews.

TABLE 2: Panel Data Regression Model Selection Results.

Uji		Prob.	Keterangan	Kesimpulan
Chow	Cross-section F	0.0000	Fixed Effect	Random Effect
Hausman	Cross-section random	0.2354	Random Effect	
Lagrange Multiplier	Breusch-Pagan Both	0.0000	Random Effect	

Respondents Based on the table above, it can be seen the results of selecting the panel data regression model. These results indicate that the Hauman test and multiplier Lagrange test chose the Random Effect model, so to analyze the regression equation using the Random Effect model.

Multiple Linear Regression Equations. The multiple regression model to be formed is as follows:

$$DPR = \beta_0 + \beta_1 CR + \beta_2 ROE + \beta_3 DER + \beta_4 EPS$$

DPR = Dividen Payout Ratio

CR = Likuiditas

ROE = Profitabilitas

DER = Leverage

EPS = Earning per Share

β_0 = Constant number

β_{1-4} = Koefisien regresi

By using the help of Eviews software, the output of the results of multiple linear regression calculations is obtained as follows

Based on the output in the table above, the constant values and regression coefficients are obtained so that the multiple linear regression equation can be formed as follows:

$$DPR = 32.88616 - 0.025372CR + 0.268111ROE + 0.340406DER + 0.013928EPS$$

The equation above can be interpreted if Liquidity (CR), Profitability (ROE), Leverage (DER), and Earning per Share (EPS) are zero (0), then the Dividend Payout Ratio (DPR) will be worth 32.88616 units. The regression coefficient -0.025372 means that if Liquidity (CR) increases by one unit and the other variables are constant, the Dividend Payout Ratio (DPR) will decrease by 0.025372 units. The regression coefficient of 0.268111 means that if Profitability (ROE) increases by one unit and the other variables are constant, the Dividend Payout Ratio (DPR) will increase by 0.268111 units. The regression coefficient of 0.340406 means that if Leverage (DER) increases by one unit and the

TABLE 3: Calculation of Regression Equation Coefficient Values.

Dependent Variable: DPR				
Method: Panel EGLS (Cross-section random effects)				
Date: 06/24/23 Time: 15:31				
Sample: 2016 2022				
Periods included: 7				
Cross-sections included: 13				
Total panel (balanced) observations: 91				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.88616	8.369712	3.929186	0.0002
CR	-0.025372	0.064291	-0.394648	0.6941
ROE	0.268111	0.325669	0.823262	0.4126
DER	0.340406	0.158424	2.148706	0.0345
EPS	0.013928	0.004720	2.951241	0.0041

other variables are constant, the Dividend Payout Ratio (DPR) will increase by 0.340406 units. And the regression coefficient of 0.013928 means that if Earning per Share (EPS) increases by one unit and the other variables are constant, the Dividend Payout Ratio (DPR) will increase by 0.013928 units.

4.1. Hypothesis test

Simultaneous Hypothesis Test:

H0: Liquidity (CR), Profitability (ROE), Leverage (DER), and Earning per Share (EPS) simultaneously have no significant effect on the Dividend Payout Ratio (DPR);

H1: Liquidity (CR), Profitability (ROE), Leverage (DER), and Earning per Share (EPS) simultaneously have a significant effect on the Dividend Payout Ratio (DPR).

Test statistics:

Test at the significance level (α) = 5%.

Test criteria:

Reject H0 dan Accept H1 jika Sig. < (α) = 5% (0.05); or

Accept H0 dan reject H1 jika Sig. > (α) = 5% (0.05).

By using the help of Eviews software, the value of Sig. as follows:

Based on the table above it can be seen that the sig. of 0.000 is less than the value (α) = 5% (0.000480 < 0.05), then H0 is rejected and H1 is accepted, meaning that there is a

TABLE 4: Simultaneous Hypothesis Testing.

Root MSE	18.17695	R-squared	0.206223
Mean dependent var	13.45981	Adjusted R-squared	0.169303
S.D. dependent var	20.51498	S.E. of regression	18.69788
Sum squared resid	30066.52	F-statistic	5.585704
Durbin-Watson stat	1.822511	Prob(F-statistic)	0.000480

significant influence from Liquidity (CR), Profitability (ROE), Leverage (DER), and Earning per Share (EPS) simultaneously has a significant effect on the Dividend Payout Ratio (DPR).

H0: Liquidity (X1), profitability (X2), Leverage (X3) and Earning per share (X4) partially have no significant effect on the Dividend Payout Ratio (DPR);

H1: Liquidity (X1), profitability (X2), Leverage (X3) and Earning per share (X4) partially have a significant effect on the Dividend Payout Ratio.

From Test statistic

Test at the significance level (α) = 5%.

Reject H0 dan Accept H1 jika Sig. < (α) = 5% (0.05); or

Accept H0 dan reject H1 jika Sig. > (α) = 5% (0.05).0.05.

TABLE 5: Partial Hypothesis Testing.

Dependent Variable: DPR				
Method: Panel EGLS (Cross-section random effects)				
Date: 06/24/23 Time: 15:31				
Sample: 2016 2022				
Periods included: 7				
Cross-sections included: 13				
Total panel (balanced) observations: 91				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.88616	8.369712	3.929186	0.0002
CR	-0.025372	0.064291	-0.394648	0.6941
ROE	0.268111	0.325669	0.823262	0.4126
DER	0.340406	0.158424	2.148706	0.0345
EPS	0.013928	0.004720	2.951241	0.0041

Based on the table above it can be seen that the value of Sig. the variable Liquidity (CR) and Profitability (ROE) is greater than the value (α) = 5% (0.6941 & 0.4126 > 0.05), then H0 is accepted and H1 is rejected, meaning that there is no significant effect on Liquidity (CR) and Profitability (ROE) to the Dividend Payout Ratio (DPR). While the value of Sig. the variable Leverage (DER) and Earning per Share (EPS) is smaller than the value (α) = 5% (0.0345 & 0.0041 < 0.05), then H0 is rejected and H1 is accepted, meaning that there is a significant effect of Leverage (DER) and Earning per Share (EPS) partially to the Dividend Payout Ratio (DPR).

5. Finding and Conclusion

Significant value the variable Leverage (DER) and Earning per Share (EPS) is smaller than the value (α) = 5% (0.0345 & 0.0041 < 0.05), then H0 is rejected and H1 is accepted, meaning that there is a significant effect of Leverage (DER) and Earning per Share (EPS) partially to the Dividend Payout Ratio (DPR). The Effect of Leverage on the Dividend Payout Ratio One indicator to measure a company's leverage is to use the Debt to Equity Ratio (DER). According to [28] Debt to Equity Ratio is a ratio that shows the percentage of funds provided by shareholders to lenders. The greater the debt to equity ratio, the greater the loan capital so that it will cause a greater burden of debt (interest costs) that must be borne by the company. The greater the company's debt burden, the amount of profit distributed as cash dividends will decrease. Thus a high debt to equity ratio has an impact on the smaller the company's ability to distribute cash dividends or vice versa. This is supported by Purwanti's research (2010) which shows that DER has a significant effect on the DPR [29].

Effect of Market Ratio on Dividend Payout Ratio, [28] states that EPS is one of the market ratios that shows the amount of stock income that can be obtained from each share owned. This is because the greater the profit after tax generated, the greater the EPS (in a constant number of shares). So that the company's ability will be greater to be able to pay dividends to shareholders. This is supported by the results of research by [28] which states that Earning Per Share has a significant effect on the Dividend Payout Ratio.

Liquidity has no effect on the dividend payout ratio, this is not in accordance with [25] and this is supported by the research of [12] which shows that the CR variable has a significant effect on the DPR because liquidity problems are related to problems the ability of a company to fulfill its financial policies that must be fulfilled immediately and

liquidity has a positive influence on the dividend payout ratio, so that the stronger the liquidity position is expected the greater the dividend payout ratio.

Profitability has no effect on the dividend payout ratio, this is not in accordance with the research of [27] and [10] which shows that ROE has a significant effect on the DPR. Profitability is the company's ability to generate profits and dividends will be shared if the company earns profits [26]. If the profit earned is small, then the dividend that will be distributed is also small. In order for shareholders to enjoy large dividends, management will try to obtain the maximum profit in order to increase the ability to pay dividends. According to [23] one of the profitability ratios can be measured using the ratio of the rate of return on shareholder equity (Return on Equity). The net profit earned during a certain period can be expressed as the return on owners equity (ROE) which measures the productivity level of the company's use of equity.

6. Implications, Limitations, and Suggestions

This study has limitations because the total population is only stocks that are included in the LQ 45 category which are listed in the sharia index. In addition to the variables that affect the dividend payout ratio, there are only four (4) variables, namely liquidity, profitability, leverage and market ratio, while there are many other factors that influence the dividend payout ratio. affect the dividend payout ratio for example free cash flow, ownership structure, company size. For further research can add other variables and also expand the population of shares listed on the Indonesian stock exchange.

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