



Research Paper

Determinants of Dividend Increases in Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange

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Abstract

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This study aims to examine the effect of liquidity, leverage, and profitability on dividend policy. The population of this study is manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) from 2014-2023. The sample obtained was based on purposive sampling technique, resulting in 16 companies. The data used is secondary data obtained from the Indonesian Stock Exchange website with the website address: www.idx.co.id, then processed using E-Views 12 software with the Fixed Effect Model (FEM) regression model. The results of the analysis show that liquidity has a negative and significant effect on dividend policy, leverage has a negative and insignificant effect on dividend policy, while profitability has a negative and significant effect on dividend policy. The results of the f-test show that all independent variables simultaneously have a significant effect on the dependent variable. The results of the determination test (Adjusted R²) show a value of 0.475637, which means that the independent variables in this model are only able to explain the variation of the dependent variable by 47,56%.

Keywords: Liquidity; Leverage, Profitability; Dividend policy

1. Introduction

The increasingly rapid development of business in Indonesia requires companies to compete, innovate and continuously improve performance to maintain their company. One of the efforts made by companies to be able to compete is to make their companies go public by conducting an IPO (Initial Public Offering). Through an IPO, a company not only gains broader access to funding but also enhances its reputation and visibility in the market. Listing shares on the Indonesia Stock Exchange (IDX) makes a company better known to the public and increases investor confidence in transparency and better governance. This can ultimately increase the com-



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pany's perceived value in the eyes of potential investors and support the company's long-term growth [1]. Investors decide to invest with the goal of earning profits, either in the form of dividend yield or capital gain. Dividends themselves are an attractive factor for stock investors when making investment decisions [2].

Dividends are the distribution of a portion of a company's net profit to shareholders equal to the number of shares owned [3]. Meanwhile, dividend policy is an important company decision regarding profit allocation, including how much is distributed to shareholders as dividends and how much is retained for reinvestment [4]. Companies can face various obstacles that prevent them from paying dividends to shareholders. One example of a phenomenon that occurred at PT Campina Ice Cream Industry Tbk (CAMP), based on financial report data published through the Indonesia Stock Exchange (IDX), in 2019 PT Campina Ice Cream Industry Tbk (CAMP) paid dividends of IDR 25.011.250.000, while in 2020 the company did not record any dividend payments even though the company still recorded positive profits. This phenomenon shows that dividend distribution decisions are not only influenced by the size of profits, but also by internal factors such as liquidity, leverage, and profitability [5]. Liquidity is a ratio that shows a company's ability to pay its short-term debt obligations [6] so that companies with high levels of liquidity tend to hold cash to maintain financial stability and reduce dividend distribution.

According to [7] leverage is a ratio used to measure the extent to which a company's assets are financed by debt, meaning how much debt the company bears compared to its assets. The higher the leverage, the greater the interest burden, which can reduce the company's ability to distribute dividends. Profitability reflects a company's ability to generate profits from its operational activities, and these profits are the main source of dividend financing for shareholders. According to [8] profitability ratios are a company's ability to generate profits over a specific period. These ratios also provide a measure of the effectiveness of a company's management.

Theoretically, dividend policy can be explained through two main approaches. First, agency theory explains that conflicts of interest between managers and shareholders can influence financial decisions, including dividend policy. Shareholders seek a return in the form of dividends on their invested funds, while managers seek profits for future investments with the aim of increasing the company's value [9]. Second, signaling theory states that dividends can signal to investors about a company's prospects. When a company increases its dividend payments, this is interpreted as a positive signal. This positive signal provides investors with confidence and assurance that the company is performing well and has promising future prospects [10]. Conversely, a decrease in dividends can be considered a negative signal regarding the company's financial condition. Based on the description, this study aims to analyze the influence of liquidity, leverage, and profitability on dividend policy in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the period 2014–2023.

2. Method

This research is a quantitative study using secondary data obtained from the annual financial reports of manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX). The data was accessed through the official IDX website (<http://www.idx.co.id>). The financial reports used have been audited and contain relevant information related to the research variables, namely liquidity, leverage, profitability and dividend policy. The observation period is for ten consecutive years, from 2014 to 2023.

The sample selection in this study was carried out using the purposive sampling method, so that a sample of 16 companies was obtained with 10 years of observation and data of 160

observations was found, where the companies were selected based on certain criteria. The sample selection criteria come from manufacturing companies in the consumer goods industry sector listed on the IDX during the period 2014-2023. With the following criteria:

- a. Manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) in the period 2014-2023.
- b. Companies whose financial reports could not be found by researchers in the period 2014-2023.
- c. Companies that report financial statements do not use rupiah units in the period 2014-2023.
- d. Companies that do not consistently distribute dividends during the period 2014-2023.

2.1 Operational definition of variables

Dividend policy is proxied using the dividend payout ratio (DPR), which is a ratio that shows the percentage of the company's net profit distributed to shareholders as dividends [11]. Dividend payout ratio (DPR) calculation formula:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$$

In this study, liquidity is measured using the current ratio, which is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when billed [12]. Formula for calculating the current ratio (CR):

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

In this study, leverage is measured using the debt to equity ratio, which is the ratio used to measure the amount of debt to the company's capital [6]. Formula for calculating the debt-to-equity ratio (DER):

$$\text{Debt to Euity Ratio} = \frac{\text{Total Debt}}{\text{Equity}}$$

In this study, profitability is measured using return on assets (ROA), which is a ratio that describes the extent to which the assets owned by the company can generate profits [13]. Formula for calculating return on assets (ROA):

$$\text{Return on Asset} = \frac{\text{Laba Setelah Pajak}}{\text{Total Aset}}$$

3. Results

3.1 Descriptive statistics

Table 1. Descriptive statistics

Variable	Minimum	Maximum	Mean	Std.Dev	Observation
DPR	0.000239	766.3317	5.992333	61.19319	160
CR	0.532051	10.25425	3.014271	1.940131	160
DER	0.050029	3.928398	0.773456	0.742809	160
ROA	0.003405	0.920997	0.156537	0.123150	160

The dividend policy variable proxied by the dividend payout ratio (DPR) has an average value of 5.992333 with a high standard deviation of 61.19319, indicating a large difference in dividend distribution between companies. The liquidity variable measured by the current ratio (CR) has an average of 3.014271 and a standard deviation of 1.940131, indicating that most companies have good liquidity although there is quite a large variation. The leverage variable proxied by the debt-to-equity ratio (DER) has an average of 0.773456 with a standard deviation of 0.742809, indicating differences in the level of debt usage between companies. The profitability variable measured by return on assets (ROA) has an average of 0.156537 with a standard deviation of 0.123150, indicating that the company's profitability tends to be stable and efficient in utilizing assets to generate profits.

3.2 Classical assumption testing

Table 2. Multicollinearity test

Variable	CR	DER	ROA
CR	1	-0.826225	0.063205
DER	-0.726225	1	-0.109701
ROA	0.063205	-0.109701	1

The results of the multicollinearity test showed no significant correlation between the liquidity (CR), leverage (DER), and profitability (ROA) variables, with the correlation value between the variables not exceeding the threshold of 0.90. This confirms that the assumption of no multicollinearity and the regression model have been met.

Table 3. Heteroscedasticity test

Variable	Coefficient	Std.Error	T-statistic	Prob
CR	0.739968	0.387575	1.909224	0.0583
DER	0.199943	0.387575	0.608504	0.5439
ROA	-0.088462	0.216427	-0.408736	0.6834

Based on the results of the heteroscedasticity test using the Glejser method, the test results show that the probability value for all independent variables is greater than the significance level > 0.05 , so it can be concluded that the regression model does not have symptoms of heteroscedasticity.

3.3 Estimation model selection test results

In determining the regression model between the common effect model, the fixed effect model, and the random effect model, there are three appropriate model tests that describe the

research results better and more accurately than comparisons with other models. These three tests are the Chow test, the Hausman test, and the Lagrange multiplier test [14].

Table 4. Chow test

Effects Test	Statistic	d.f.	Prob.
<i>Cross-section F</i>	9.811649	(15,136)	0.0000
<i>Cross-section Chi-square</i>	113.678434	15	0.0000

The results of the Chow test with a Chi-square Cross-section Prob. value of $0.0000 < 0.05$. Therefore, the decision taken in the Chow test is a fixed effect model and is continued with the Hausman test to determine between the random effect model and the fixed effect model.

Table 5. Hausman test

Random Test	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
<i>Cross section random</i>	14.861877	3	0.0019

The results of the Hausman test with a Random Cross-section Prob. value of $0.0019 < 0.05$, so it can be concluded that the fixed effect model is the most appropriate compared to the random effect model. Based on the results of the Chow test and the Hausman test, it shows that the best model in this study is the fixed effect model, so the Lagrange test is no longer necessary.

Table 6. Fixed effects model test

Variable	Coefficient	Std. Error	T-statistic	Prob
C	-4.619048	1.095357	-4.216932	0.0000
CR	-1.647644	0.720095	-2.288092	0.0237
DER	-0.017707	0.610487	-0.029005	0.9769
ROA	-1.599189	0.402111	-3.976988	0.0001
Specification test				
F-statistic	8.760532			
Prob(F-statistic)	0.000000			
R-squared	0.536926			
Adjusted R-Squared	0.475637			
Durbin-Watson Stat	0.871950			

From table 6, the panel data equations in this study are obtained along with their explanations, namely as follows: $DPR = -4.619048 - 1.647644 CR - 0.017707 DER - 1.599189 ROA$. If liquidity (CR) increases by 1%, assuming all other variables remain constant, the dividend policy (DPR) will decrease by 1.647644. This indicates that the higher a company's liquidity level, the lower its propensity to distribute dividends. This situation can occur because companies with high liquidity tend to hold cash to meet future operational and investment needs, resulting in a smaller portion of profits distributed as dividends.

Meanwhile, if leverage (DER) increases by 1%, assuming other variables remain constant, dividend policy will only decrease by 0.017707, and the effect is not statistically significant. This means that a company's debt level has no significant impact on dividend policy. This shows that the company's decision to distribute dividends is not greatly influenced by the size of the debt level it has.

Furthermore, if profitability (ROA) increases by 1%, assuming other variables remain constant, then dividend policy will decrease by 1.599189. This effect is statistically significant with a probability value of 0.0001 (<0.05), meaning that the higher the profitability level, the lower the dividend distribution. This condition can be interpreted as indicating that the company prefers to retain profits for reinvestment to support growth and strengthen its financial position in the future. Based on the simultaneous test results, the F-statistic value was 8.760532 with a probability value of 0.000000, which is less than 0.05. This indicates that the variables of liquidity, leverage, and profitability together have a significant effect on dividend policy in manufacturing companies in the consumer goods industry. The Adjusted R-Squared value of 0.475637 indicates that approximately 47.56% of the variation in dividend policy can be explained by the variables of liquidity, leverage, and profitability, while the remaining 52.44% is influenced by other factors outside this research model.

4. Discussion

4.1 Pengaruh likuiditas terhadap kebijakan dividen

Based on the t-test results presented in Table 6, the liquidity variable (CR) has a coefficient value of -1.647644 with a significance value of $0.0237 < 0.05$. The results indicate that liquidity (CR) has a negative and significant effect on dividend policy (DPR). This suggests that when a company's liquidity increases, the number of dividends declared to shareholders tends to decrease. These results are in line with research conducted by [12] and [15] who also found that liquidity has a negative and significant effect on dividend policy.

4.2 The effect of leverage on dividend policy

Based on the t-test results presented in Table 6, the leverage variable (DER) has a coefficient value of -0.017707 with a significance value of $0.9769 > 0.05$. The results indicate that leverage has a negative and insignificant effect on dividend policy (DPR). This means that the higher the leverage (debt level) of a company, the greater the financial burden the company must bear, resulting in a smaller net profit available for distribution as dividends. These results are in line with previous research such as that conducted by [16]; [17], and [18] which shows that leverage has a negative and insignificant effect on dividend policy.

4.3 The effect of profitability on dividend policy

Based on the t-test results presented in Table 6, the profitability variable (ROA) has a coefficient value of -1.599189 with a significance value of $0.0001 < 0.05$. The results indicate that profitability (ROA) has a negative and significant effect on dividend policy (DPR). This means that companies with high profitability tend to retain their profits. This is evident from the financial statement data, particularly in the statement of changes in equity, where all companies in the sample continue to distribute dividends, but most of the net income is still placed in retained earnings. These results are in line with research conducted by [4]; [19] and [20] who also found that profitability has a negative and significant effect on dividend policy.

5. Conclusion

Based on the results of research conducted on the factors influencing dividend policy in manufacturing companies in the consumer goods industry sector on the Indonesia Stock Exchange (IDX) for the 2014-2023 period, it can be concluded that liquidity has a negative and significant effect on dividend policy, indicating that when a company's liquidity increases, the amount of dividends distributed to shareholders tends to decrease. Leverage has a negative and insignificant effect on dividend policy, indicating that companies with high debt levels will

distribute dividends in relatively small amounts. Profitability has a negative and significant effect on dividend policy, indicating that companies with high profit levels tend to retain profits and not distribute them in the form of dividends.

Based on these test results, researchers can provide several recommendations for company managers and investors. First, companies, particularly in the consumer goods manufacturing sector, need to balance internal interests (such as investment needs and debt repayment) with shareholder expectations regarding dividend distribution. Profit retention decisions must be accompanied by good communication to avoid sending negative signals to investors. Second, investors need to understand that not all companies with strong financial performance will distribute high dividends. Therefore, in addition to considering profitability and liquidity, investors should pay attention to the company's growth strategy and internal policies.

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Authors' contributions and responsibilities

Intan Aisa Salsabila: conceptualization, methodology, investigation, formal analysis, visualization, and writing – original draft. Cut Delsie Hasrina: supervision and writing – review & editing. Rizal Ansari: supervision and writing – review & editing.

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The authors declare no competing interest.

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