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Conference Paper

The Effect of Liquidity, Profitability and Asset Growth on the Dividend Payout Ratio in Transportation Sector Companies Listed on The Indonesian Stock Exchange (Idx) For the Year 2017-2019

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ABSTRACT

Transportation is an effort to move objects from one area to another. Investment in a company is an important thing to operate its business activities. Investors expect to receive dividends when investing. The dividend policy of transportation companies in the last few years poses a significant risk of problems. This study aims to prove the effect of liquidity (current ratio), profitability, and asset growth against the DPR. This research is of a quantitative type, using a population of 41 transportation sector industries listed on the Indonesia Stock Exchange 2017-2019. Sampling was filtered using the purposive sampling method. 8 industries meet the criteria. Data analysis and hypothesis testing using classical assumption test, multiple linear regression analysis, t-test, and coefficient of determination. This study succeeded in revealing that liquidity and profitability did not affect the dividend payout ratio, while asset growth affected the DPR.

Keywords: Dividend payout ratio, liquidity, profitability, asset growth

Introduction

Transportation is an effort to move objects from one area to another. In line with current economic changes, companies need sources of funds for their operations. Investment in a company is an important thing to operate its business activities. The purpose of investing is to generate profits from the company. Investors expect to receive dividends when investing. Shareholders often expect more dividends than capital gains, because dividends are more promising. The main reason is that people believe that dividends provide greater clarity than capital gains. Now almost all industries raise funds not only through their funds but through loans (debt). The company should pocket enough cash to pay dividends to the company. If the company is short of cash, it can result in an inability to pay dividends.

For a company to distribute dividends to investors, it must be able to generate profits. The size of the company reflects whether the company has been established or not. Companies that have a large size are expected to generate large profits so that they can distribute dividends and vice versa.

Companies that grow or develop always distribute dividends to investors. For the benefit of companies and investors, the benefits of determining the dividend payout ratio must be felt. The scale of the company's dividend to investors depends on the company's profits, the intelligence of each company, and the consideration of several elements.

According to Van Horne and Wachowicz (2009) view, the elements that influence dividend policy are company liquidity and the level of company growth (asset growth): Company liquidity is an important element that must be considered before deciding how much dividends to be paid

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to investors. So, a strong liquidity capacity means that the ability to pay dividends will be better. This means that the more likely the company's liquidity situation is to meet future funding needs, the higher the dividend payment level. Meanwhile, the level of company growth (asset growth), namely the faster the company's growth rate, the more dominant the capital requirements for company budgeting are. Given the cost constraints, the dominant interest in collecting development funds later, the greater the contingency of the industry to prevent profits rather than impinging on like dividends to investors. This means the faster the company's growth rate, the more dominant the profit opportunity, and the greater the profit sharing that is prevented at the company, the lower the level of dividend payments.

Quoted from the media rmco.id reported that Carmelita Hartoto, deputy chairman of the Transportation Chamber, issued a statement saying that the transportation business faces three major challenges, and these challenges are 'rather extraordinary'. This is because, in the last few years, the transportation industry has entered a difficult period and is threatened with bankruptcy. Imagining the Indonesian economy, especially with the outbreak of the coronavirus, as many as 200 countries that are currently affected by this virus outbreak have swept the world.

National transport (the lifeblood of the economy) is one of the sectors most affected by this situation. Then, the turnover of transportation companies fell by more than half, and the company's cash flow was disrupted. This occurs in all modes of transportation (land, sea, and air). For example, road transportation modes, in all modes there is a decrease in the volume of passenger traffic reaching 75% to 100%. Both inter-city transportation and non-subsidized transportation (PSO) for city transportation have decreased turnover. In terms of sea transportation, performance in March 2020 fell by about 15%. Also, air transportation has experienced a decline in performance.

The reason for researching transportation sector companies is based on the above phenomenon, namely the dividend policy of transportation companies in recent years has a considerable risk of problems. Recent problems affecting the transportation sector have a major impact on the entire process of delivering goods/ services. This study suspects that the dividend payout ratio is influenced by liquidity, profitability, and asset growth factors only.

Starting with this statement, the research aims to discuss the Effect of Liquidity, Profitability, and Asset Growth on the Dividend Payout Ratio in Transportation Sector Companies Listed on the Indonesia Stock Exchange (IDX) for 2017-2019 Period.

Literature Review

Dividend

Dividends are the distribution of industrial profits to investors, and the amount is proportional to the shares owned. The distribution of dividends is generally regular, but sometimes dividends are distributed at unusual periods. Dividends will be distributed to investors after obtaining investor approval at the GMS (general meeting of shareholders). Thus, dividends are the distribution of profits received by the company to investors, and the distribution is proportional to the total shares owned. When a company in business can generate enough money to pay dividends, and directors look right to distribute dividends to the company, investors will receive dividends.

Meanwhile, the percentage of dividend distribution divided by the net profit earned by the company is called the dividend payout ratio (DPR). When the dividend payout ratio is large, the company's funds will be small, on the other hand, the dividend payout ratio is small, the company's retained earnings will be large. This means that the proportion of net profit after tax is distributed to investors as dividends. The ratio is large, so the portion of prevented profit allocated to industrial investment will be small. (Sudana, 2011). The DPR formula by Sudana (2011), is:

$$DPR = \frac{\text{Total Dividends}}{\text{Net Profit After Tax}} \times 100\%$$

Liquidity

The industry's ability to use current assets to pay off loans in a short time is a definition of liquidity. Liquidity uses the current ratio, which is current assets divided by current liabilities. This ratio represents the amount of cash owed by the company, plus assets that can be converted into cash in one period, relative to the amount of debt that matures on a certain date in one period.

According to Harjito and Martono (2014), Liquidity can be calculated using the current ratio (CR) which shows the balance of current assets and current liabilities. Used to find out the company's ability to pay off the company's current debt. A high current ratio can provide good guarantees for short-term creditors, meaning that shareholders will receive high dividends every time the company can pay off short-term financial debts, the current ratio is formulated by:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

Profitability

The ability of a company to seek profit is called profitability (Kasmir, 2016). This profitability analysis can attract the attention of stock investors. This is because if the company gets a profit, dividends will be distributed to investors. Nan ratio is used in estimating the level of profitability, namely Return on Assets, which represents the ability of capital to be invested in the value of assets for profit. The relative choice of dividends to investors or the use of these profits in the industry is determined by the expected rate of return. Good industrial profitability will increase dividends. ROA formula by Kasmir, (2012).

$$\text{ROA} = \frac{\text{Profit After Interest and Tax}}{\text{Total Asset}} \times 100\%$$

Asset growth

Asset growth is defined as the change in annual assets. The assets used for the company's operating assets are shown by asset growth. Managers who are focused on growth in the company's business tend to invest in aftertax revenue and want increased growth for the entire company. the formula for asset growth is:

$$\text{Asset Growth } t = \frac{\text{Total Assets Year}_t - \text{Total Assets Year}_{t-1}}{\text{Total Assets Year}_{-1}}$$

Hypothesis

The research hypothesis is:
H1: Liquidity affects the DPR
H2: Profitability affects the DPR
H3: Asset Growth affects the DPR

Material and Methods

Quantitative type research aims to test the relationship between the independent variable and the dependent variable with statistical analysis using numbers. The independent variables are liquidity, profitability, and asset growth. Meanwhile, the dependent variable uses a dividend payout ratio.

Use of secondary data in annual financial reports and industrial websites. Its population, namely the transportation sector industry, is listed on the Indonesia Stock Exchange (IDX) and discloses financial reports, 2017-2019 annual reports. While the research sample used the purposive sampling method. Based on the sample selection parameters carried out, the industrial sample and meeting the criteria are 8 companies during the 2017-2019 period. The criteria used are:

1. The company is included in the Transportation Sector and is listed on the IDX for the 2017-2019 period.
2. Transportation Sector Companies and have submitted financial report data and are completely synchronized with the 20172019 research sample.
3. Transportation Sector Companies and delivered their dividends during the 2017-2019 period.

The statistical techniques used in data analysis and hypothesis testing are classical assumption test, multiple linear regression analysis, t-test, and coefficient of determination.

Results and Discussion

Classic assumption test

Classical assumption testing based on Ordinary Least Squares (OLS) for multiple linear regression analysis: normality test multicollinearity, autocorrelation, and heteroscedasticity test.

1. Normality test

Kolmogorov-Smirnov (KS) was used to test the normality of the data. Table results obtained:

Table 1. Normality test results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		24
Normal Parameters, b	Mean	.0000000
	Std. Deviation	3.34032223
Most Extreme Differences	Absolute	.174
	Positive	.116
	Negative	-174
Statistical Test		.174
Asymp. Sig. (2-tailed)		.057c

Source: Results of Data Processing with SPSS

Sourced from the table, stating that the residual value of the regression equation model has asymp. sig. 0.057> alpha 0.05. So that all the regression equation models and the residual value circulation are concluded to be normally distributed.

2. Multicollinearity Test

Using the multicollinearity test and the results can be reviewed in the table:

Table 2 Multicollinearity test results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Liquidity Ratio	.934	1,070
Profitability Ratio	.830	1,205
Asset Growth	.876	1,141

Source: Results of Data Processing with SPSS

The three independent variables do not experience multicollinearity because their tolerance is> 10.00 and VIF <10.00. That way there is no multicollinearity between the independent variables. So, it can be concluded, the regression model used does not occur multicollinearity problems. Thus, 3 independent variables (liquidity, profitability, and asset growth) can be used to predict the Dividend Payout Ratio during the observation period.

3. Autocorrelation Test

The autocorrelation test uses an autocorrelation test, namely the Test Run test. A small portion of the non-parametric statistics is used to check whether the residuals have a large correlation or vice versa. The following are the results of the Runtest test. Table of run test results for the data in this study:

Table 3. Autocorrelation Test Results *Test Runs*

	Unstandardized Residual
Valuea Test	.56747
Cases <Test Value	12
Cases> = Test Value	12
Total Cases	24
Number of Runs	8
Z	-1,878
Asymp. Sig. (2tailed)	.060

a. Median Source: Results of Data Processing with SPSS

It can be seen from the table above, the value of Asymp.Sig. (2-tailed) 0.060> 0.05. Thus, the data is quite diverse and does not have autocorrelation problems.

4. Heteroscedasticity test

This study uses the heteroscedasticity test which can be reviewed in the table below:

Table 4. Heteroscedasticity test results

Variable	Sig	Conclusion
Liquidity	0.899	There is no heteroscedasticity
Profitability	0.759	There is no heteroscedasticity
Asset Growth	0.339	There is no heteroscedasticity

Source: Data Processing with SPSS

Based on all independent variables, namely liquidity, profitability, and asset growth, it has a sig value. > 0.05. So, the conclusion does not arise heteroscedasticity problem. This means that the assumption of heteroscedasticity in the regression equation model is realized.

Multiple linear analysis

Multiple linear regression equation model: Dividend Payout Ratio = -0,854 + 0,216 Liquidity + (-17,318) Profitability + 22,399 Asset Growth.

a. The liquidity regression coefficient is 0.216, which means that if the liquidity variable increases by 1%, along with the assumption that the other independent variables are the same, it means that the dividend payout ratio increases by 0.216.
b. The profitability regression coefficient is 17.318, which means that if the profitability variable increases by 1%, along with the assumption of the other independent variables being the same, it means that the dividend payout ratio will increase by 17.318.
c. The parameter value or the regression coefficient of asset growth is 22.399, which means that if the asset growth variable increases by 1%, along with the assumption of other independent variables, it means that the dividend payout ratio increases by 22.399.

Hypothesis test

With the help of the SPSS program, hypothesis testing is carried out through the t-test. The results of the research t-test, namely:

Table 5 Statistical testing results (t-test)

Model		B	t	Sig.
1	(Constant)	-854	-724	.478
	Liquidity Ratio	.216	.581	.568
	Profitability Ratio	-17,318	-1,107	.282
	Asset Growth	22,399	8,455	.000

Source: Data Processing with SPSS

Description of the results of the t statistical test:

Liquidity effect test results on the DPR

Sourced from multiple regression tests carried out and described in table 6, that liquidity has a sig value of 0.568 <alpha 0.05 and a beta of 0.216, the liquidity variable has an effect of above 5%, so this condition is not following hypothesis 1, conclusions that can be drawn, the liquidity variable does not affect the DPR.

This research is not in the direction of Partington's research (2009), describing if liquidity affects the House of Representatives. The industry concentrates its short-term liquidity to finance its short-term liabilities rather than dividend distribution. The current debt burden triggered industry operations widely used to pay down debts to third parties as a result of lowering the industry's ability to reap maximum net profit resulting in dividend payments. This is one of the causes of liquidity that does not affect the Dpr while this research is in line with the research and makes liquidity research does not affect the DPR.

Results of the profitability effect test on the DPR

Sourced from multiple regression tests carried out and illustrated in table 6, that profitability has a sig value of 0.282> alpha 0.05 and beta as much as -17.318, then the profitability variable

influences 5%, this condition is not following hypothesis 2, conclusions can be drawn, the profitability variable does not affect the DPR. The industry has good profitability which will increase dividends. Because when the industry receives a profit, managers will assess that the level of future spending will increase along with the development of the industry. While profitability increases, the industry will further advance industrial development compared to paying dividends to investors. Meanwhile, this research is in line with the research conducted by Laim (2015) which illustrates that ROA does not affect the DPR.

Result of asset growth influence test on DPR

Based on multiple regression tests, carried out and illustrated in table 6, that the asset growth variable has a sig value of 0,000 <alpha 0.05 and a beta of 22,399, so asset growth affects 5%, this condition is following hypothesis 3, the conclusion is that asset growth variables affect the DPR. The dividend yield is beneficial for asset expansion. If there is an increase in retained profits, there will be an increase in capital that can be used for Asset Growth.

Determination coefficient test

Table 6 Test results of the determination coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890a	.793	.762	3,58210

a. Predictors: (Constant), Asset Growth, Liquidity Ratio, Profitability Ratio

Source: Results of Data Processing with SPSS

It was found that the coefficient of determination in terms of the adjusted R2 value was 0.762. This means that 76.2% of the dependent variable dividend payout ratio can be estimated based on the unity of the liquidity, profitability, and asset growth variables, and the remaining 23.8% is influenced by other elements.

Conclusion

The results revealed that liquidity and profitability did not affect the DPR. Meanwhile, asset growth affects the transportation industry listed on the Indonesia Stock Exchange from 2017-2019. The researcher's suggestion to the company is that transportation sector companies always maintain a balance between maintaining adequate liquidity in their business, to maintain harmony between paying obligations and paying dividends. The trick is to formulate policies regarding industrial financial liabilities either in a short time or continuously. Also, companies engaged in the transportation sector should consider their financial situation before deciding to distribute dividends to investors. For future researchers, it is hoped that they will use a sector other than transportation or that companies from various sectors can combine them.

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