Research Article

The Influence of Cash Ratio, Net Profit Margin, and Company Size on Dividend Policy

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ABSTRACT

The purpose of this study was to determine the effect of cash ratio, net profit margin and company size on dividend policy in consumer non-cyclicals companies listed on the Indonesia Stock Exchange in 2018-2022. The research method used in this research is quantitative. The population in this study were 58 main board consumer non-cyclicals companies listed on the Indonesia Stock Exchange for the period 2018-2022. The sampling technique used in this study was purposive sampling. So that the sample obtained was 21 consumer non-cyclicals companies listed on the IDX for the 2018-2022 period. The results showed that partially cash ratio and net profit margin had no effect on dividend policy. Meanwhile, company size partially has a significant effect on dividend policy. It can be concluded that cash ratio, net profit margin and company size have an effect on dividend policy. And the Adjusted R-Squared value is 0.736174, which means that the dividend policy is influenced by the Cash Ratio, Net Profit Margin and Company Size by 73.62% and 26.38% is influenced by other variables not examined in this study.

Keywords: Cash Ratio, Net Profit Margin, Firm Size, Dividend Policy

Introduction

Financial reports are a form of management accountability for the use of funds towards fund owners. The purpose of making financial reports is to provide information related to the company's financial condition which is useful when making decisions for information users. As external users, investors use financial reports to see the company's financial condition which will later be useful in making investment decisions. Apart from that, financial reports are also used to estimate the percentage of return that the company can provide for the share capital investment. In relation to investment, the investor's main goal is to get maximum returns. The better the company's financial performance that is depicted in the financial reports will have an impact on the level of return on investment funds. This will attract more investors who want to invest their capital in the company.

Return what investors expect can be assessed from capital returns and dividend distribution (Erwin et al., 2021). Dividends are the distribution of net profits given to company shareholders. Based on IAI in PSAK 23, dividends are distributions of profits to shareholders according to their portion of ownership of certain capital (Tjhoa, 2020). According to Gordon and Lintnerin Tjhoa, (2020), believes that investors prefer to avoid risk, so investors prefer to distribute profits in the form of definite dividends rather than capital returns which are still uncertain.
Based on the results of pre-research observations that the author obtained through the official website of the Indonesian Stock Exchange by taking 30% of Consumer Non-Cyclicals sector companies from the entire population, it can be seen from the graph presented above that the dividends distributed during 2019-2022 experienced fluctuations. Reported on the 2021 investment.kontan.co.id news page, non-cyclical consumer companies performed sluggishly. This is reflected in data from the Indonesian Stock Exchange (BEI) which noted that the primary consumer goods sector weakened 7.43% year to date (ytd). Meanwhile, the non-primary consumer goods sector strengthened 13.11% ytd.

This condition can occur because during this period Indonesia experienced Covid-19. Reporting from kemenkeu.go.id uncertainty due to the Covid-19 pandemic is manifested in various forms, ranging from a decrease in income to massive layoffs. So people tend to respond to this problem by being selective in spending their money. This causes a decrease in demand for goods and services, which also has a negative impact on the profits of goods and services companies. When the profits generated by the company decrease, the dividends distributed will also decrease.

However, this condition is contrary to the way things should be. Companies categorized as the Consumer Non-Cyclicals sector should have stable profits. So that the dividends paid each year remain constant or tend to increase. Because this company sells goods or services that are society’s primary needs, the profits generated are not influenced by the overall economic situation. The amount of dividends distributed depends on the policies of each company. Therefore, investors must know the factors that influence dividend policy.

When investing funds, one of the things that investors consider is the size of the company. Company size shows the size of a company based on total assets, total sales and average assets owned by the company (Rais & Santoso, 2018). According to Deep LopollutionRais and Santoso (2018), the size of the company also influences the amount of dividends that will be paid, the bigger the company, the higher the profits generated. If the company's profits are high, the dividends distributed will also be high. Dividend policy is also closely related to financial decisions. When dividends are paid to shareholders, it certainly reduces the company's internal investment funds(Estuti et.al, 2020). Because dividend payments are included in the company's independent financing process which depends on the availability of cash resulting from the company's operational activities(Raed, 2020).

Therefore, companies must consider the availability of cash and the net profit obtained before determining the dividend policy they will take. The amount of available cash can be measured using the liquidity ratio which is proxied by the cash ratio. The company's ability to generate profits is measured using the net profit margin.

The results of previous research conducted by Estuti et al.,(2020) stated that liquidity and profitability ratios had a positive and significant effect on dividend policy in manufacturing companies in 2013-2014. Meanwhile, in other research conducted by Meidawati et al.,(2020) with research objects in the form of manufacturing companies in the food and beverage industry sector listed on the Indonesia Stock Exchange (BEI) in the 2015-2017 period. The research results show that profitability and company size have a significant positive effect on dividend policy. Meanwhile, the liquidity ratio has a significant negative effect. Based on the description of the background, research gap and phenomena above, the author is interested in conducting research with the title "The Influence of Cash Ratio, Net Profit Margin and Company Size on Dividend Policy".

**Methods**

This research uses quantitative research. The type of data used is secondary data. Secondary data is data that is not obtained directly from the research object (Alamsyahbana et al., 2023). The data needed in this research is:The data used is the annual financial report for the 2018-2022 period obtained through the Indonesian stock exchange and the company’s official website. The population used in this research is 58 main board Consumer Non-
Cyclicals companies listed on the Indonesia Stock Exchange for the 2018-2022 period. In this research, researchers used a purposive sampling technique with the following sample criteria.
2. Consumer Non-Cyclicals companies distribute dividends regularly every year for the 2018-2022 period.

So the sample used in this research was 21 non-cyclical consumer companies listed on the Indonesia Stock Exchange for the 2018-2022 period. Variable testing uses panel data regression analysis.

Results and Discussion

Best Model Selection Test

Test Chow

This Chow test is used to choose between 2 models, namely common effect and fixed effect. This test uses the Eviews 12 program with the following results. The hypotheses tested are as follows:

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistics</th>
<th>df</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>2.058436</td>
<td>(20.81)</td>
<td>0.0124</td>
</tr>
<tr>
<td>Chi-square cross-section</td>
<td>43.150155</td>
<td>20</td>
<td>0.0020</td>
</tr>
</tbody>
</table>

Source: Eviews Processed Data, 2023

Based on the test results above, it was found that the cross-section chi-square value was 0.0020 < 0.05, so it can be concluded that H1 is accepted and H0 is rejected and states that the fixed effect model was chosen as the best model. If the fixed effect model is selected, the Hausman test will be continued.

Hausman test

The Hausman test is a statistical test to compare and select a good model between the fixed effect model and the random effect model. The Hausman test is seen using probability values from the cross section random effect model. If the probability value is smaller than 0.05 then the suitable model to use in the regression equation is the fixed effect model. Likewise, if the probability value in the Hausman test is greater than 0.05 then the best model selected is the random effect model. In this research, the Eviews program was used and the following results were obtained.

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistics</th>
<th>Chi-Sq. df</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Random cross-section</td>
<td>12.193064</td>
<td>3</td>
<td>0.0068</td>
</tr>
</tbody>
</table>

Source: Eviews Processed Data, 2023

Based on the results of the Hausman test above obtained from a random cross-section of 0.0068 < 0.05, it can be concluded that the fixed effect model was chosen as the model.

Classic Assumption Test Results

Normality test

According to Priyanto (2014), the normality test is carried out to find out whether the data is normally distributed or not. Data normality is the main requirement that must be met in parametric analysis. Parametric analysis
is a technique that uses interval data and ratios based on definite facts and based on samples. There are two ways to test whether the residuals are normally distributed or not, namely using graphic analysis and statistical analysis. Data is considered normal if the line that depicts the actual data follows or is not far from the diagonal line. However, to test the normality of the data in this study, it can be seen from the Jarque-Bera probability value stated in the normality test histogram. The results of the Jarque-Bera probability normality test using the Eviews 12 program can be seen in Figure 1 as follows.

**Figure 1. Normality Test Results**

![Normality Test Results](image)

Source: Eviews Processed Data, 2023

Based on figure 1 above, it can be seen that the Jarque-Bera probability value shows a probability value of 0.179745 > 0.05, so from the figure above it can be concluded that the data regression is normal because it meets the normality assumption.

**Multicollinearity Test**

According to Ghozali (2016), multicollinearity is the phenomenon of complete correlation between an independent variable and other independent variables. Each researcher must determine the level of collinearity that can still be tolerated, such as a tolerance value of 0.10 which is the same as a collinearity level of 0.90 (Ghozali, 2013). If the correlation value between independent variables is <0.90, it can be concluded that it is free from multicollinearity. The results of multicollinearity testing in this study used the Eviews 12 application and can be seen in table 3 below.

<table>
<thead>
<tr>
<th>Cash_Ratio</th>
<th>Net_Profit_Margin</th>
<th>Company_Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash_Ratio</td>
<td>1.000000</td>
<td>0.422063</td>
</tr>
<tr>
<td>Net_Profit_Margin</td>
<td>0.422063</td>
<td>1.000000</td>
</tr>
<tr>
<td>Company_Size</td>
<td>0.176291</td>
<td>0.373368</td>
</tr>
</tbody>
</table>

Source: Eviews Processed Data, 2023

Based on the results of the multicollinearity test in table 3 above, it can be seen that the multicollinearity test is done by analyzing the correlation between independent variables. In the research model with dividend policy which is proxied by the dividend payout ratio as the dependent variable, it shows that all the independent variables consisting of cash ratio, net profit margin and company size used in this research have a correlation value, namely the correlation value between cash ratio and net profit margin of 0.422063, and the correlation between cash ratio and company size is 0.176291. It can be concluded that there is no high correlation between independent variables above 0.90 so that all the independent variables used are free from multicollinearity.
Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there are deviations from classical assumptions or not. Heteroscedasticity is the unequal residual variance for all observations in the regression model. According to Hamid et al., (2020), there are two ways to detect the presence or absence of heteroscedasticity, namely by using graphs and statistical methods. The requirements that must be met in the regression model are the absence of heteroscedasticity symptoms. If the prob value is <0.05, then there are symptoms of heteroscedasticity in the research model, whereas if the prob value is > 0.05 then there are no symptoms of heteroscedasticity.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.003405</td>
<td>0.004954</td>
<td>0.687294</td>
<td>0.4939</td>
</tr>
<tr>
<td>Cash_Ratio</td>
<td>0.000273</td>
<td>0.000226</td>
<td>1.207258</td>
<td>0.2308</td>
</tr>
<tr>
<td>Net_Profit_Margin</td>
<td>-1.62E-05</td>
<td>0.000242</td>
<td>-0.066640</td>
<td>0.9470</td>
</tr>
<tr>
<td>Company_Size</td>
<td>-0.000769</td>
<td>0.003364</td>
<td>-0.228483</td>
<td>0.8198</td>
</tr>
</tbody>
</table>

Source: Eviews Processed Data, 2023

Based on Table 4, the results of the heteroscedasticity test can be seen that the probability generated by each variable is >0.05, so it can be concluded that heteroscedasticity does not occur in this research model.

Panel Data Regression Analysis

Panel data regression analysis is data collected by cross section and time series. Based on the results of the Chow test and Hausman test, a fixed effect model was obtained which was used in this research. Data processing using the Eviews 12 application can be seen in table 5 below:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.426000</td>
<td>0.785193</td>
<td>5.636829</td>
<td>0.0000</td>
</tr>
<tr>
<td>Cash_Ratio</td>
<td>-0.071118</td>
<td>0.036977</td>
<td>-1.923327</td>
<td>0.0580</td>
</tr>
<tr>
<td>Net_Profit_Margin</td>
<td>-0.127432</td>
<td>0.073646</td>
<td>-1.730324</td>
<td>0.0874</td>
</tr>
<tr>
<td>Company_Size</td>
<td>-1.773259</td>
<td>0.523465</td>
<td>-3.387540</td>
<td>0.0011</td>
</tr>
</tbody>
</table>

Effects Specification
Cross-section fixed (dummy variables)

Weighted Statistics

MSE Root | 0.218911 | R-squared | 0.794520
Mean dependent var | 3.687601 | Adjusted R-squared | 0.736174
SD dependent var | 4.848745 | SE of regression | 0.249241
Sum squared resid | 5.031813 | F-statistic | 13.61734
Durbin-Watson stat | 2.574503 | Prob(F-statistic) | 0.000000

Unweighted Statistics

R-squared | 0.389819 | Mean dependent var | 1.592893
Sum squared resid | 5.229902 | Durbin-Watson stat | 2.611167

Source: Eviews Processed Data, 2023
Based on the model in table 5, a panel data regression equation can be formulated for the dividend policy of non-cyclical consumer companies listed on the Indonesian Stock Exchange for 2018-2022, as follows:

\[
\text{Dividend Policy} = 4.426000 - 0.071118 \text{ Cash Ratio} - 0.127432 \text{ Net Profit Margin} - 1.773259 \text{ Company Size}.
\]

The following is a description of the panel data regression equation above:

1. The constant value of 4.426000 states that if the variables cash ratio, net profit margin and company size are considered constant then the dividend policy is 4.426000.
2. Cash Ratio variable Regression Coefficient (X1); The cash ratio regression coefficient is -0.071118, this indicates that for every 1 unit increase in the cash ratio, the dividend policy will decrease -0.07118 units assuming the other independent variables are considered constant.
3. Regression Coefficient for the Net Profit Margin variable (X2); The net profit margin regression coefficient is -0.127432, this indicates that for every 1 unit increase in net profit margin, it will decrease -0.127432 units assuming the other independent variables are considered constant.
4. Regression Coefficient for the Company Size variable (X3); The company size regression coefficient is -1.773259, this indicates that for every 1 unit increase in company size, it will decrease -1.773259 units assuming the other independent variables are considered constant.

**Hypothesis testing**

**Partial Test (T Test)**

Partial tests are carried out to show how much influence an independent variable individually has in explaining variations in the dependent variable (Chandrarin, 2017). This test is carried out by comparing the calculated t value of each independent variable with the t table value with an error of 5% in the sense (because this research uses a two-sided model, the significance level is 0.025) by determining the t table obtained using the formula \( DF = nk - 1 \) and the calculation obtained is 105 - 3 - 1 = 101. So the t table number is 1.98373. If the calculated t value \( \geq t \text{ table} \), then the independent variable has a meaningful influence on the dependent variable. The results of the t-test using the Eviews 12 program are as follows.

**Table 6. Partial Test Results (t-test)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.426000</td>
<td>0.785193</td>
<td>5.636829</td>
<td>0.0000</td>
</tr>
<tr>
<td>CASH_RATIO</td>
<td>-0.071118</td>
<td>0.036977</td>
<td>-1.923327</td>
<td>0.0580</td>
</tr>
<tr>
<td>NET_PROFIT_MARGIN</td>
<td>-0.127432</td>
<td>0.073646</td>
<td>-1.730324</td>
<td>0.0874</td>
</tr>
<tr>
<td>COMPANY_SIZE</td>
<td>-1.773259</td>
<td>0.523465</td>
<td>-3.387540</td>
<td>0.0011</td>
</tr>
</tbody>
</table>

Source: Eviews Processed Data, 2023

Based on the test results above, it can be concluded as follows.

1. Based on the table above, it can be seen that the calculated t value for the cash ratio variable is 1.923327 < 1.98373 t table and prob. 0.0580 > 0.05. It can be concluded that the cash ratio has no effect on dividend policy.
2. Based on the table above, it can be seen that the calculated t value for the net profit margin variable is 1.730324 < 1.98373 t table and the probability is 0.0874 > 0.05. It can be concluded that the net profit margin has no effect on dividend policy.
3. Based on the table above, it is known that the calculated t value for the company size variable is 3.387540 > 1.98373 t table and the probability is 0.0011 < 0.05. It can be concluded that company size has a significant influence on dividend policy.

**Simultaneous Test (F Test)**

The F test is carried out to show whether all the independent or independent variables included have a joint influence on the
dependent variable (Chandrarin, 2018). The test uses a significance level of 0.05 with first degree of freedom \((df) = k-1\) (where \(k\) is the number of independent variables) and second degree of freedom \((df2) = nk\) (where \(n\) is the number of samples and \(k\) is the number of independent variables). So from this formula the results are \((df) 3-1 = 2\) and \((df2) 105 – 3 = 102\), so the \(f\) table is 3.09. The testing criteria for the \(f\) test are:

1. If \(F\) count > \(F\) table then \(H_0\) is rejected
2. If \(F\) count < \(F\) table then \(H_a\) is accepted.

Simultaneous test results \((f)\) using the Eviews 12 program can be seen in Table 7 below.

<table>
<thead>
<tr>
<th>Weighted Statistics</th>
<th>R-squared</th>
<th>Adjusted R-squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSE Root</td>
<td>0.218911</td>
<td>0.794520</td>
</tr>
<tr>
<td>Mean dependent var</td>
<td>3.687601</td>
<td>0.736174</td>
</tr>
<tr>
<td>SD dependent var</td>
<td>4.848745</td>
<td>0.249241</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>5.031813</td>
<td>13.61734</td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>2.574503</td>
<td>0.000000</td>
</tr>
</tbody>
</table>

**Source:** Eviews Processed Data, 2023

Based on Table 7, the results of the \(f\) test show that the \(F\) value is 13.61734 > 3.09 \(F\) table and the probability value is 0.000 < 0.05. So from the test results above it can be concluded that the independent variables in this study, namely cash ratio, net profit margin, and company size, simultaneously influence the dependent variable, namely dividend policy, and it can also be concluded that \(H_4\) is accepted.

**Coefficient of Determination (R2)**

The coefficient of determination test is a quantity that shows the proportion of variation in the independent variable that is able to explain the variation in the dependent variable. The coefficient of determination test has a limit value of \(0 \leq R^2 \leq 1\), which means that the closer the number is to 1, the better the regression line because it is able to provide the information needed to predict variations in the dependent variable. In this study, the magnitude of the coefficient of determination is seen through the Adjusted Rsquared value. The results of the coefficient of determination test in this research can be seen in Table 8 as follows.

<table>
<thead>
<tr>
<th>Weighted Statistics</th>
<th>R-squared</th>
<th>Adjusted R-squared</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Durbin-Watson stat</td>
<td>2.574503</td>
<td>0.000000</td>
</tr>
</tbody>
</table>

**Source:** Eviews processed data, 2023

Based on the table above, it is known that the coefficient of determination as seen from the Adjusted R-squared is 0.736174, which shows that the dividend policy of non-cyclical consumer companies listed on the Indonesia Stock Exchange is influenced by the cash ratio, net profit margin and company size variables of 73. 62% and the remaining 26.38% were
influenced by other variables not examined in this research.

Conclusion
Based on the results of data analysis and discussion in the previous chapter regarding the influence of cash ratio, net profit margin and company size on dividend policy in non-cyclical consumer companies listed on the Indonesia Stock Exchange for the 2018-2022 period, the following conclusions can be drawn.

1. Based on the research results, it can be seen that the cash ratio has no effect on dividend policy. This means that the higher the cash ratio produced by the company will not have an impact on the company's decision to distribute dividends.

2. Based on the research results, it can be seen that the net profit margin has no effect on dividend policy. This means that the higher the net profit margin value generated by the company will not have an impact on the company's decision to distribute dividends.

3. Based on the research results, it can be seen that company size has a significant and influential effect on dividend policy. Based on the results of impact research, it is known that there is a negative relationship between company size and dividend policy. This means that the greater the value of company size will have a negative impact on the company's decision to distribute dividends. This can be seen by the decrease in the nominal dividends distributed.

References


