Multidisciplinary Joint Akseprin Journal
Website : https://jurnal.akseprin.org/index.php/MJAJ/about
e-mail : tma@akseprin.org or akseprin@gmail.com
PUBLISHER: Akademi Sertifikasi Profesi Internasional

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024

Received: 2024-02-11 Revised: 2024-04-19 Accepted: 2024-06-11 Published: 2024-09-22

Determinants of Dividend Policy and Their Impact on Company Value

Sukirno Sukirno [1], Fina Sutianti Riffendi [2], Ahmad Hatta [3], Imas Kusumawati [4]

[1,2,3,4] Serang Raya University, Indonesia

Correspondent Email sukirno79@gmail.com

ABSTRACT

This study aims to analyze the effect of Free Cash Flow and Receivable Turnover on Dividend Policy and its impact on Company Value. The data collected are secondary data with documentation methods in the form of company annual reports. The analysis tool used to test the hypothesis is SPSS 25. The sampling method used in this study uses purposive sampling technique and obtained 18 company samples from 118 company populations. The analysis technique used is linear regression analysis. The results of the study partially concluded that Free Cash Flow has a significant positive effect on dividend policy, Receivable Turnover does not affect dividend policy and Dividend policy does not affect company value.

Keywords: Dividend Policy; Free Cash Flow; Receivable Turnover

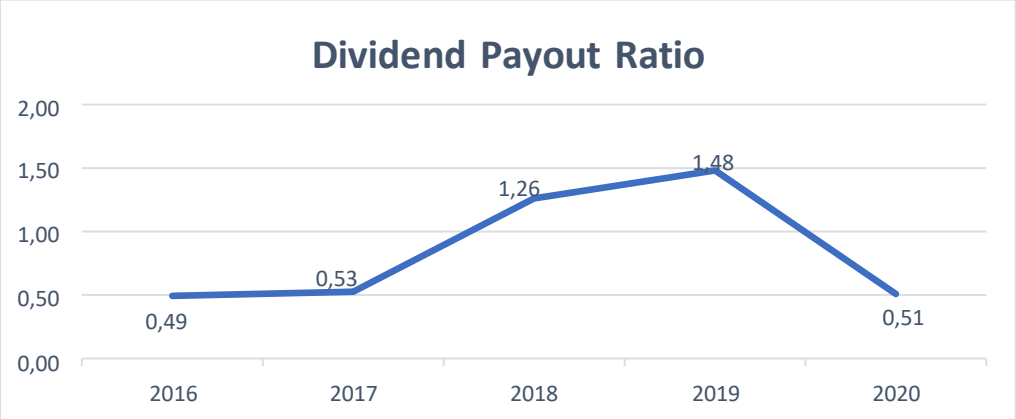
INTRODUCTION

The food and beverage subsector has an important role in the economy, especially in meeting basic human needs. According to Law of the Republic of Indonesia Number 18 of 2012 concerning Food, food is a basic human need which is guaranteed as a human right. The food and beverage industry is one of the sectors that investors are interested in because of its stability, even amidst the uncertain economic situation in Southeast Asia.

One important aspect in a company's sustainability is dividend policy, namely the decision about whether company profits will be distributed to shareholders or reinvested. Dividend policy greatly influences investors' perceptions and decisions. However, dividend policy in the food and beverage sector experienced fluctuations during the 2016–2020 period, which is an interesting topic for further research.

The following is Dividend Policy data (*dividend payout ratio*) in subsector companies *food and beverage* listed on the Southeast Asian Stock Exchange for the 2016-2020 period which are presented in the following graph:

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024



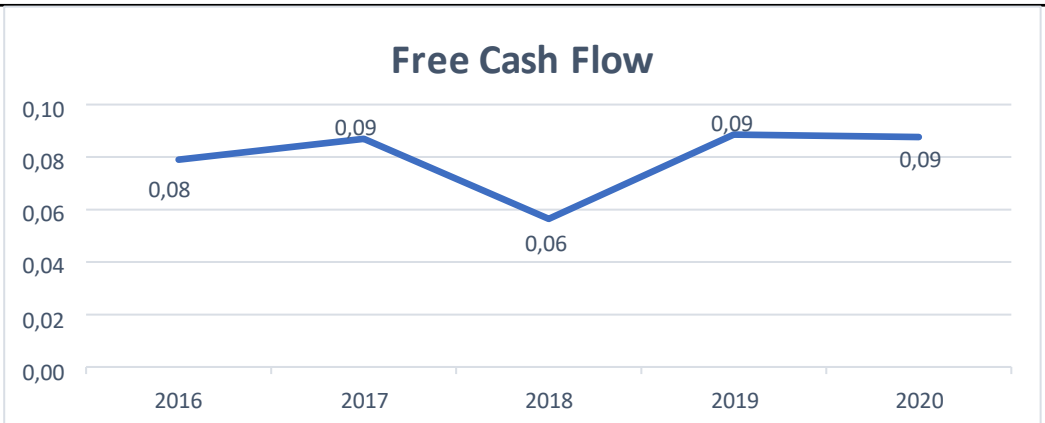
Source: Data processed from several sources registered on the Southeast Asian Stock Exchange using Microsoft Excel 2021

shows that the dividend payment rate in 2020 was 0.51 percent, a decrease from 2019, namely 1.48 percent. Fluctuations in dividend payment levels in subsector companies *food and beverage* 2016 to 2020 is an interesting issue to research. The policy in determining the level of dividend payments will fulfill investors' expectations regarding dividends but does not necessarily slow down the company's development. Percentage *dividend payout ratio* which fluctuates every year can be caused by certain factors determined by the company. The existence of this problem made researchers raise the topic of the central issue of dividend policy, and in this research the researcher wanted to know what are the factors considering a dividend policy in a company.

Dividend payments, especially cash dividends, are very dependent on the available cash position. The company's free cash flow shows the cash available to investors. Free cash flow (FCF) is a company's description of the cash flow available to the company in an accounting period, after deducting operational costs and other expenses. High free cash flow can be an indicator of a company's performance which is quite good compared to other companies. Companies with high free cash flow are expected to be better able to survive in a bad environment. This shows that free cash flow is able to influence the level of dividend policy implemented by the company for shareholders. Apart from that, previous research conducted [1] stated that *Free Cash Flow* significant positive effect on dividend policy

The following is Free Cash Flow data for subsector companies *food and beverage* listed on the Southeast Asian Stock Exchange for the 2016-2020 period:

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024



Source: Data processed from several sources registered on the Southeast Asian Stock Exchange using Microsoft Excel 2021.

The large FCF value describes the company's good financial performance, so FCF can be an indicator to see the true profitability of any business. Graph 1.2 shows the FCF value in the last 5 years for subsector companies *food and beverage* in Southeast Asia experiences fluctuations or increases and decreases every year.

Another factor as expressed is that receivables turnover is a factor that determines the size of the profits a company obtains, if the company is able to manage its receivables well. So, the company can pay all its obligations, including the obligation to pay dividends. This opinion is strengthened by the results of previous research conducted that receivables turnover (*receivable turnover*) has a positive effect on the dividend payout ratio (*dividend payout ratio*).

Following is the data *Receivable Turnover* in subsector companies *food and beverage* listed on the Southeast Asian Stock Exchange for the 2016-2020 period:

Source: Data processed from several sources registered on the Southeast Asian Stock Exchange using Microsoft Excel 2021

Apart from that, this fluctuation is thought to be influenced by several factors, such as Free Cash Flow (FCF) and Receivable Turnover (RTO), which are important indicators in

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024

determining a company's ability to pay dividends. However, the results of previous research on the influence of these factors on dividend policy provide mixed results, creating a research gap that needs to be explored further.

In this research, the main focus is to understand how FCF and RTO influence dividend policy in food and beverage subsector companies in Southeast Asia. This research also considers the impact of dividend policy on company value, because company value is considered important in determining shareholder welfare.

Based on existing problems, this research is expected to provide further insight into the factors that influence dividend policy and its implications for company value in the food and beverage subsector.

LITERATUR RIVIEW

Dividend policy is a decision on profit placement, whether the profits earned by the company will be distributed to investors as dividends or will be retained in the form of retained earnings to finance future investments [2 ; 3], In this research it is used *Dividend payout ratio* as an indicator of dividend policy [4] *Dividend Payout Ratio* is a comparison *Dividend per share* divided by *earning per share*.

Free Cash Flow is company cash that can be distributed to creditors or shareholders which is not used for working capital or investment in fixed assets [3]. Free Cash Flow can be calculated by subtracting operating cash flow from net capital expenditure and net working capital compared to total assets.

Receivables Turnover is a ratio used to measure how long it takes to collect receivables during one period or how many times the funds invested in these receivables are turned over in one period. The indicator that can be used to measure this is net credit sales compared to average receivables.

Company value is investors' perception of the level of success of managers in managing company resources entrusted to them which is often linked to share prices [5]. In this research it is used *price earning ratio* as an indicator of company value because PER will make it easier and help investors in assessing shares.

According to signal theory, increasing free cash flow in a company will signal an increase in dividend payments that will be distributed to shareholders. As the amount of free cash flow in a company increases, it is assumed that the company has a certain amount of cash available to be paid in the form of dividends to shareholders. This signal theory is strengthened by the results of previous research conducted [6] which states that Free Cash Flow has a significant positive effect on dividend policy. The better the Free Cash Flow of a company, the higher the

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024

dividends that will be distributed to shareholders. However, this is in contrast to the results of research conducted which states that Free Cash Flow has no effect on dividend policy and research [2] also states that Free Cash Flow has no significant effect on the dividend payout ratio (DPR). Therefore, based on signal theory and previous research results, it is reasonable to suspect that Free Cash Flow has a significant influence on dividend policy.

According to the bird in the hand theory that shareholders prefer dividends over capital gains, shareholders can make this reason so that company management wants to distribute dividends. So, when receivables turnover is high, the company's cash dividends that will be distributed to its shareholders are also high. This theory is strengthened by the results of previous research conducted [1] that receivable turnover has a positive effect on the dividend payout ratio. The higher the receivable turnover means the more effective the company is in managing receivables. Therefore, based on the bird in the hand theory and the results of previous research, it is reasonable to suspect that receivable turnover has a significant influence on dividend policy.

According to signal theory, changes in the ups and downs of dividends affect stock prices which gives a signal to investors. If the dividends distributed by the company are high, investors predict that the company will have good growth in the future, and if there is a decrease in dividends, investors believe that this is a signal that The company faces difficult times ahead. Dividend policy has a positive effect if the dividends distributed are high then share prices will increase and have an impact on increasing company value. This signal theory is strengthened by the results of previous research conducted [1] which found that dividend policy had a significant positive effect on company value. that the dividend payout ratio, which is a proxy for dividend policy, has a significant effect on the price earning ratio.

RESEARCH METHODS

The type of research used in this research is quantitative research. Quantitative research is research by obtaining data in the form of numbers. So, quantitative research is a method of analysis by carrying out calculations on data that is proof of the problem. This method is called a quantitative method because the research data is in the form of numbers and analysis uses statistics [1].

The research object is the four variables studied, namely Free Cash Flow, Receivable Turnover, Dividend Policy and Company Value. The research data is in the form of financial data reported by companies in financial reports, namely using secondary data from company annual reports on the food and beverage subsector in Southeast Asia for the 2012-2020 period. The sampling method used was purposive sampling, resulting in 18 sample companies. The data analysis technique used is classical assumption analysis and multiple linear regression to test the proposed hypothesis.

Multidisciplinary Joint Akseprin Journal
Website : https://jurnal.akseprin.org/index.php/MJAJ/about
e-mail : tma@akseprin.org or akseprin@gmail.com
PUBLISHER: Akademi Sertifikasi Profesi Internasional
ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024

RESULT AND DISCUSSION

The results of this research were analyzed using the SPSS statistical application, and the research results can be seen in the following tables:

Classic Assumption Test Results

Normality Test Results

One-Sample Kolmogorov-Smirnov Test Results Before Transformation		
		Unstandardized Residual
N		162
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.11809976
Most Extreme Differences	Absolute	.366
	Positive	.366
	Negative	-.328
Test Statistic		.366
Asymp. Sig. (2-tailed)		.000[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Autocorrelation Test Results

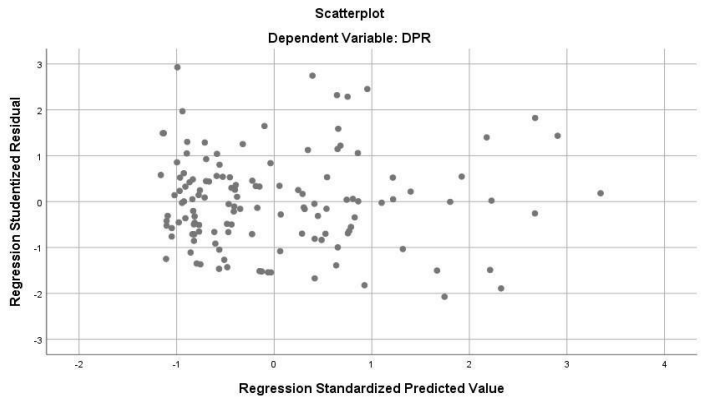
Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.272[a]	.074	.052	.27908	2.096
a. Predictors: (Constant), RTO, FCF, ROE					
b. Dependent Variable: DPR					

Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	FCF	.773	1.294
	ROE	.672	1.487
	RTO	.875	1.142
	FIRM_SIZE	.759	1.318

Heteroscedasticity Test Results

Multidisciplinary Joint Akseprin Journal
Website : https://jurnal.akseprin.org/index.php/MJAJ/about
e-mail : tma@akseprin.org or akseprin@gmail.com
PUBLISHER: Akademi Sertifikasi Profesi Internasional
ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024



The results of the classical assumption test show that the research data is normally distributed. The residual data that is normally distributed is the Asymp value. sig. (2-tailed) > level of significance (α) = 5%. The table shows more than 5%. This research data also does not have autocorrelation, this can be shown by the Durbin Watson value which is greater than the du value and smaller than 4 – du (du < dw < 4 – du). It can be seen that there is no positive or negative autocorrelation. This can be proven by the value du (1.7617) < Durbin Watson (2.096) < 4 – du (2.2383). This research data also shows that there is no multicollinearity in the data, this can be proven from the tolerance value of FCF (0.773) > 0.1 and VIF (1.294) < 10, the tolerance value of ROE (0.672) > 0.1 and VIF (1.487) < 10, the value RTO tolerance (0.875) > 0.1 and VIF (1.142) < 10, and tolerance value for Company Size (0.759) > 0.1 and VIF (1.318) < 10. And this research data also does not have heteroscedasticity, this can be seen In the heteroscedasticity test image, the image does not form certain patterns.

Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Say.
		B	Std. Error	Beta		
1	(Constant)	.349	.065		5.345	.000
	Transform_FCF	1.347	.481	.263	2.802	.006
	Transform_RTO	-.001	.003	-.022	-.260	.796

a. Dependent Variable: Transform_DPR

Simple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Say.
		B	Std. Error	Beta		
1	(Constant)	9.325	1.774		5.258	.000
	DPR	-2.127	3.430	-.055	-.620	.536

a. Dependent Variable: PER

From the results of the analysis of multiple regression and simple regression tests, the

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024

results can be explained as follows:

Free Cash Flow Has a Significant Influence on Dividend Policy

Based on the partial test results above, it is known that the calculated t value is 2.802 and the t table value is 1.97882, so it is known that t calculated > t table. The significance value of the free cash flow variable (X1) is smaller than 0.05, namely 0.006, so it is known that 0.006 < 0.05, so it can be concluded that partially the free cash flow variable (X1) has a significant positive effect on the dividend policy variable (Y). This means that H0 is rejected while Ha is accepted so that the first hypothesis is accepted. This proves the first hypothesis that free cash flow has a significant positive effect on dividend policy.

The results of this research support the signal theory which states that increasing free cash flow can provide a positive signal to investors, that the company has a certain amount of cash available to be paid in the form of dividends to shareholders. so this can cause an increase in dividend payments that will be distributed to shareholders.

The results of this research are also supported by research conducted [3] which states that Free Cash Flow has a significant positive effect on dividend policy. However, the results of this research contradict the results of research conducted which stated that free cash flow has no effect on dividend policy.

According to researchers, the influence of this dividend policy occurs because a high free cash flow ratio reflects the company's good ability to finance its daily operational activities so that it can influence management decisions in distributing dividends.

Receivable Turnover Does Not Have a Significant Influence on Dividend Policy

Based on the partial test results above, it is known that the t value is -0.260 and the t table value is 1.97882, so it is known that t count < t table. The significance value of the receivable turnover variable (X3) is greater than 0.05, namely 0.796, so it is known that 0.796 > 0.05, so it can be concluded that partially the receivable turnover variable (X3) has no significant negative effect on the dividend policy variable (Y). This means that H0 is accepted while Ha is rejected so that the third hypothesis is rejected. This makes the proof of the first hypothesis that receivable turnover has a significant positive effect on dividend policy rejected.

This is inversely proportional to the bird in the hand theory which states that shareholders prefer dividends to capital gains, shareholders can make this reason so that company management wants to distribute dividends. So, when receivables turnover is high, the company's cash dividends that will be distributed to its shareholders are also high.

The results of this research are not in line with the results of research conducted [1] which states that receivable turnover has a positive effect on the dividend payout ratio.

The reason for this lack of influence on dividend policy may be due to the fact that receivable turnover information is not the main thing that needs to be considered and used as a

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024

good benchmark by management in making decisions to determine dividend policy.

Dividend Policy Has a Significant Influence on Company Value

The Influence of Dividend Policy (DPR) on the Price Earning Ratio (PER). The results obtained by t calculated by DPR are -0.620, t table = 1.98063, so t calculated < t table (-0.620 < 1.98063), and the significant value is > 0 .05 (0.536 < 0.05). then Ha is rejected and Ho is accepted so it can be concluded that Dividend Policy has no significant effect on Company Value.

This is inversely proportional to the signal theory, that changes in the rise and fall of dividends affect stock prices which gives a signal to investors. Dividend policy has a positive effect if the dividends distributed are high then the share price will increase and have an impact on increasing the value of the company.

The results of this research are supported by previous research conducted [6] stating that the dividend payout ratio has no effect on the price earnings ratio. However, the results of this research are not supported by previous research conducted [1] which found that dividend policy had a significant positive effect on company value. that the Dividend payout ratio, which is a proxy for Dividend policy, has a significant effect on the price earning ratio.

In this research, dividend policy has no effect on company value because the results indicate that the high and low dividends distributed to shareholders are not related to the high or low value of the company. the reason that dividend policy has no effect on company value because shareholders only want to take short-term profits by obtaining capital gains. Investors consider that today's small dividend income is no more profitable than future capital gains

CONCLUSION

Free cash flow partially has a significant effect on dividend policy in food and beverage subsector companies on the Southeast Asian Stock Exchange for the 2012-2020 period. Partial receivable turnover has no significant effect on dividend policy in food and beverage subsector companies on the Southeast Asian Stock Exchange for the 2012-2020 period. Dividend policy has no effect on company value so it has no impact on food and beverage subsector companies on the Southeast Asian Stock Exchange for the 2012-2020 period.

REFERENCES

[1] Affandi, F. (2018). The Influence of Cash Ratio, Debt to Equity Ratio, Receivables Turnover, Net Profit Margin, Return on Equity, and Institutional Ownership on Dividend Payout Ratio (Empirical Study of Manufacturing Companies Listed on the Indonesian Stock Exchange)

ISSN 3024-8221 (Online)
Pages 09-18, Vol. 2, No. 3, 2024

(Doctoral dissertation, Jenderal Soedirman University).

[2] Azhar, N., & Chaidir, H. (2017). Dividend Payout Ratio: Issues of Free Cashflow, Debt To Equity Ratio, Institutional Ownership, Investment Opportunity, and Employee Welfare. Liquidity, 6(1), 1-11.

[3] Fauziah, F. 2017. Bank Health, Dividend Policy, and Company Value Theory and Empirical Studies. RVs. Horizon Library.

[4] Harmono. 2011. Financial Management: Scorecard Based Approach to Theory, Cases and Research. Ed. 1, Cet. 2 Jakarta: Bumi Literacy.

[5] Husna, A., & Satria, I. (2019). Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value. International Journal of Economics and Financial Issues, 9(5), 50.

[6] Indrarini, S. (2018). Company Value Through Profit Quality (N. Azizah (ed.)). Scopindo Media Library.