

## **FACTORS WHO AFFECT BANK DIVIDEND PAYOUT RATIO IN INDONESIA**

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**Abstract:** This study aims to determine the effect of insider ownership, profitability, liquidity, and asset growth partially and simultaneously on bank dividend policy in Indonesia. Factors that tested in this research as the independent variable are Insider ownership, return on asset as a proxy of profitability, loan to deposit ratio as a proxy of liquidity, and asset growth. While the dividend payout ratio is the dependent variable. This research using the descriptive method and the population is the Banks who is listed in Indonesia Capital Market for the period 2013 - 2017 which amounted to 43 companies then become 7 companies after deducting by purposive sampling method. The data analysis that is used in this study is multiple linear regression analysis at the significance level of 5%. The results showed that : (1) insider ownership has a negative effect on dividend payout ratio (2) return on asset has a negative on dividend payout ratio (3) loan to deposit ratio has a negative effect on dividend payout ratio (4) asset growth has a negative effect on dividend payout ratio (5) insider ownership, profitability, liquidity, and asset growth have effected dividend payout ratio simultaneously.

**Keywords:** Insider Ownership, Return on Asset, Loan to Deposit Ratio, Asset Growth, Dividend Payout Ratio

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### **INTRODUCTION**

The financial report is an impression of an organization. Financial reports contain significant data for partners, both inside and outer. The data reflected in the financial report is about the responsibility for tasks and strategies that have been completed by the executives inside a specific period. Through monetary reports, it is trusted that it can turn into a device of correspondence among the management and Investor in a straightforward way, to shape a decent relationship.

Investors and the board regularly have various interests. From the benefits acquired by the organization, Investors will be more worried about how the organization can give a profit from the funds that they invest into the organization, while the administration will be more worried about how this benefit can be held by the executives and utilized as capital for the development and advancement of the organization it oversees. To beat this organization issue, it takes costs that should be caused by the organization, to be specifically called organization costs. One instrument that can be utilized to limit the organization issues is by dividend (Novelma, 2014).

The dividend payout proportion has been generally investigated, however, the outcome is as yet conflicting. Numerous factors are tested with dividend payout proportion, such as insider ownership, profitability, liquidity, and asset growth. The

proportion of ownership to the number of portions of the proprietor who is likewise dealt with the all-out shares in the organization is called Insider ownership. A high profitability ratio can be a signal to investors to get a higher dividend, considering that the profit generated by the company also increases. However, the profit earned by the company does not necessarily reflect the availability of funds or incoming money, this can happen if the company provides credit. Not increased cash, but increased receivables, so the opportunity to get cash dividends is not necessarily high.

The organization surely needs to proceed to develop constantly. Boosting the resources claimed by the organization, the organization is relied upon to produce benefits and will likewise expand the trust of others, particularly the investor who is keen on putting their assets in the organization with the presumption that the organization has great performances and expected to develop then giving the higher profits. Another thing that needs to be considered in dividend policy is liquidity. Liquidity is important because dividends for the organization are cash outflow, at the end of the day, dividend distribution can have an impact on reducing the availability of cash owned by the company. The higher the liquidity acquired by the organization, the more chance to disseminate the cash dividend.

(Mardasari, 2014) tested that insider ownership has a positive effect on dividend payout ratio. While the examination of (Novelma, 2014) on the manufacturing organization said that it's not influencing the dividend payout proportion. However, it's prescribed to be tried once more (Prasetio, 2016)

IDX's data for the period 2014 and 2015 illustrates that the ROA of BBCA has reduced from 3.85 to 3.70 while the DPR has increased from 30.00 to 30.27. the ROA of BMRI also has reduced from 3.04 to 2.90 while the DPR has increased from 25.00 to 30.00. The actual data has different results from research by (Prasetio, 2016), (Pratama, Sujana, & Werastuti, 2015), and (Novelma, 2014) who said that return on assets (ROA) has a positive effect on dividend payout ratio (DPR). Another IDX's data illustrates that the LDR of BBCA has reduced from 79.18 to 75.34 while the DPR has increased from 7.53 to 8.38. The actual data has different results from research by (Lestari, Tanuatmodjo, & Mayasari, 2016) who said that if the company has a higher loan to deposits ratio (LDR), it can pay higher DPR. But different from SE BI No. 6/23/DPNP (Bank Indonesia, 2004) by the Central Bank of Indonesia who said that the smaller the LDR value than the better the health of the Bank, while the results of previous research tests conclude that an increased LDR will increase the DPR as well.

The research gap between actual data and the result from past research makes this issue needs to be tested again. This study aims to know how much impact insider ownership, profitability, liquidity, and asset growth on the dividend payout ratio either partially or simultaneously.

## METHODS

Factors that are tested in this research as the independent variable are Insider ownership, return on asset as a proxy of profitability, loan to deposit ratio as a proxy of liquidity, and asset growth. While the dividend payout ratio is the dependent variable. This research using the descriptive method and the population is the Banks who is listed in Indonesia Capital Market for the period 2013 - 2017 which amounted to 43 companies then become 7 companies after deducting by purposive sampling method.

**Table 1. Criteria of Sampling**

No	Criteria	Bank
1	The bank listed in IDX per 2017	43
2	The bank that wasn't published the annual report for the period 2013 – 2017	(10)
3	The bank that wasn't shared dividend for the period 2013 – 2017	(26)
<b>Number of Sample</b>		<b>7</b>

Source: data that has been processed by the author (2018)

The data is obtained by downloading the company's financial statements through the official website of the Indonesia Stock Exchange (<https://www.idx.co.id/>). Multiple linear regression analysis is used to test the effect of insider ownership, return on assets, loan to deposit ratio, and asset growth on the dividend payout ratio.

## RESULTS AND DISCUSSION

**Table 2. Result of T Test from Regression**

Model	B	Std. Error	Beta	t	Sig.
Constant	160.78	24.228		6.636	.000
IO	-81.091	23.716	-.447	-3.419	.002
ROA	-9.081	2.158	-.577	-4.209	.000
LDR	-.95	.228	-.561	-4.185	.000
AG	-1.067	.353	-.384	-3.020	.005

Source: data that has been processed by the author using SPSS 22 (2018)

### The Effect of Insider Ownership on Dividend Payout Ratio

Obtained the t value of the insider ownership variable is -3,419 with a significance value of 0.002. Because the t value (-3.419) is smaller than the negative t table (-2.03),

thus it can be concluded that insider ownership has a significant effect on the dividend payout ratio of banking companies on the Indonesia Stock Exchange.

Insider ownership has a negative and significant effect on the dividend payout ratio, meaning that any increase in insider ownership tends to be followed by a decrease in the dividend payout ratio and any decrease in insider ownership tends to be followed by an increase in the dividend payout ratio. This result is similar to the research of (Ehsan, Tabassum, Akram, & Nasir, 2013) that Insider ownership has a negative effect on the dividend payout ratio.

The increase in insider ownership is caused by the increase in the value of shares of owners or investors who also act as company management, while the total shares of the company are constant or have decreased. This will have an impact on reducing the dividend payout ratio because the owner or investor who is also management, knows more information about the company, so it does not only focus on dividend distribution.

#### **The Effect of Profitability (Return On Asset) on Dividend Payout Ratio**

Obtained the t value of the return on assets variable is -4,209 with a significance value close to zero. Because the value of the t value (-4.209) is smaller than the negative t table (-2.03), thus it can be concluded that return on assets has a negative significant effect on the dividend payout ratio of banking companies on the Indonesia Stock Exchange. Profitability, which is proxied by ROA, has a negative and significant effect on the dividend payout ratio, meaning that each increase in ROA tends to be followed by a decrease in the dividend payout ratio and vice versa, any decrease in ROA tends to be followed by an increase in the dividend payout ratio. This result is similar with the research of (Atmoko, Defung, & Tricahyadinata, 2017) also (Muslimah & Wijaksana, 2014). The increase in return on assets is due to the high profit value compared to the total assets owned by the company. This will have an impact on reducing the dividend payout ratio because the banks in this study allocate more funds for asset growth than dividend distribution.

#### **The Effect of Liquidity (Loan to Deposit Ratio) on Dividend Payout Ratio**

Obtained t value variable loan to deposit ratio of -4,185 with a significance value close to zero. Because the t value (-4.185) is smaller than the negative t table (-2.03), it can be concluded that the loan to deposit ratio has a significant effect on the dividend payout ratio of banking companies in Indonesia Stock Exchange.

Liquidity, which is proxied by LDR, has a negative and significant effect on the dividend payout ratio, meaning that every increase in LDR tends to be followed by a decrease in the dividend payout ratio and vice versa, every decrease in LDR tends to be followed by an increase in the dividend payout ratio. This result is similar to the research of (Nadeem, Bashir, & Usman, 2018)

The increase in the loan to deposit ratio was due to an increase in credit value, while third-party funds owned by the company were constant or decreased. This will have an impact on reducing the dividend payout ratio because company funds are

allocated for customer credit, rather than dividends, given that the value of the credit given is greater than the third-party funds owned by the company.

### **The Effect of Asset Growth on Dividend Payout Ratio**

Obtained the t value of the asset growth variable is -3.020 with a significance value of 0.005. Because the value of t value (-3.020) is smaller than the negative t table (-2.03), it can be concluded that asset growth has a significant effect on the dividend payout ratio of banking companies on the Indonesia Stock Exchange.

Asset growth has a negative and significant effect on the dividend payout ratio, meaning that any increase in asset growth tends to be followed by a decrease in the dividend payout ratio and any decrease in asset growth tends to be followed by an increase in the dividend payout ratio. This result is similar to the research of (Pratama et al., 2015).

The increase in asset growth was due to the increase in total asset growth from the previous period to the current period. This will have an impact on the decline in the dividend payout ratio because the funds of the company are budgeted more for asset growth than the dividend payout ratio.

**Table 3. Result of F Test from Regression**

<b>Model</b>	<b>Sum</b>	<b>df</b>	<b>Mean</b>	<b>F</b>	<b>Sig</b>
Regression	4797.968	4	1199.492	9.801	.00
Residual	3671.555	30	122.385		
Total	8469.523	34			

Source: data that has been processed by the author using SPSS 22 (2018)

In the ANOVA table above, it can be seen that the calculated F value of the data processing results is 9.801 with a significance value close to zero. This value becomes a test statistic that will be compared with the F value from the table. From the F table at  $\alpha = 0.05$  and degrees of freedom (4 and 30), the F table value is 2.69. Because F count (9.801) is greater than F table (2.69), it can be concluded that insider ownership, return on assets, loan to deposit ratio, and asset growth simultaneously have a significant effect on the dividend payout ratio of banking companies on the Indonesia Stock Exchange.

Insider ownership, profitability (ROA), liquidity (LDR), and asset growth simultaneously have a negative and significant effect on the dividend payout ratio. This means that any increase in insider ownership, profitability (ROA), liquidity (LDR), and asset growth will tend to have an impact on reducing the dividend payout ratio, and vice versa, where any decrease in insider ownership, profitability (ROA), liquidity (LDR), and asset growth will tend to have an impact on the increase in the dividend payout ratio.

### CONCLUSION

The results showed that partially and simultaneously insider ownership, profitability, liquidity, and asset growth affect to dividend payout ratio. The independent variables have a negative significant effect on the dividend payout ratio. In this case, the dividend that will be paid by the company will decrease because the owner or investor who is also management, knows more information about the company, so it does not only focus on dividend distribution but they focus to put the funds (from profit) to increasing the growth of their assets. The company also allocates its funds to return third-party money rather than a dividend.

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