

# The effect of financial ratios and company size on dividend policy

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## ABSTRACT

*The purpose of this research is to find out whether there is an effect of financial ratios on dividend policy, which is proxied by Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TATO), Return on Equity (ROE), Growth of Sales (GS), and Price Earning Ratio (PER), and the Company Size on the Dividend Policy of the company, which is proxied by Dividend Payout Ratio (DPR). The population of this study is manufacturing companies listed in Indonesia Stock Exchange from 2009 to 2013. This study uses purposive sampling method and its subject of 29 companies of the 145 companies that have been observed. The analytical techniques used in this research consist of descriptive statistics test, normality test, multiple linear regressions analysis, and hypothesis test comprising an analysis of the coefficient of determination (R<sup>2</sup>), model test research (statistical tests F), and a partial test (statistics test of t). The results indicate that only Debt to Equity Ratio (DER), Return on Equity (ROE), and Price Earnings Ratio (PER) that have significant effect on dividend policy.*

## ABSTRAK

*Penelitian ini bertujuan untuk mengetahui apa ada pengaruh rasio keuangan terhadap kebijakan dividen, yang diproksi dengan Current Ratio (CR), Debt to Equity Ratio (DER), Total Perputaran Aset (TATO), Return on Equity (ROE), Growth of Sales (GS), dan Price Earnings Ratio (PER), dan Company size pada Kebijakan Dividen dari perusahaan, yang diwakili oleh Dividend Payout Ratio (DPR). Populasi penelitian ini adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia dari tahun 2009 sampai 2013. Penelitian ini menggunakan metode purposive sampling dan subjek dari 29 perusahaan dari 145 perusahaan yang telah diamati. Teknik analisis yang digunakan dalam penelitian ini terdiri atas tes deskriptif statistik, uji normalitas, analisis regresi linier, dan uji hipotesis melalui analisis koefisien determinasi (R<sup>2</sup>), uji model penelitian (uji statistik F), dan uji parsial (uji statistik t). Hasilnya menunjukkan bahwa hanya Debt to Equity Ratio (DER), Return on Equity (ROE), dan Price Earnings Ratio (PER) yang memiliki pengaruh signifikan terhadap kebijakan dividen.*

## 1. INTRODUCTION

Any company requires substantial funds in running its operations. One of the ways to get this fund is by increasing the capital owned and unencumbered by the principal of loan and interest expense on debt repayment obligation. Beside that, they can also get by issuing shares to the public.

In Indonesia, an issuance of shares to the public has been regulated by BAPEPAM (Capital Market Executive Agency). The facilities provided by the government in helping entrepreneurs to

obtain capital from the public can be taken through the capital market with a special exchange known as the Indonesia Stock Exchange or IDX. Capital market is a market that has activities to perform public offering and trading of securities involving public companies and institutions associated with the securities (Act No. 8 of 1995). While the Indonesia Stock Exchange is a party that organizes and provides a system and facilities to bring together the offers of buying and selling securities of other parties with the aim of trading

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securities between them (Act No. 8 of 1995 Article 1, paragraph 5).

Basically, there are two benefits for investors who invest and own any shares or securities of a company, namely capital gains and dividends. According to Indonesia Directory Exchange, dividend is a distribution of profit given to shareholders. The profit is derived from the company's income, which is given after obtaining the approval of the shareholders at the General Meeting of Shareholders (AGM).

Based on data from Central Bureau of Statistics (Badan Pusat Statistik/BPS) and Indonesian Central Securities Depository (Kurstodian Sentral Efek Indonesia/KSEI), the number of stock trading companies in Indonesia Stock Exchange along with the time is growing a lot. In 2009, there were 398 active companies. In addition, in 2013, there were 483 companies. In addition, a number of companies that pay dividends in 2009, as many as 144 companies, also follow it. Moreover, in 2013, the number increased to 220 companies. The fact indicates that the number of companies that seek for capital is getting increased and it is also accompanied by the growth of companies that pay dividends.

The distribution of dividend to the shareholders is determined by the dividend policy of each company. It has been noted that dividend policy is a very important decision for a company where profits or gains derived by the company can be distributed as dividends to shareholders, but it can also be used for the company growth in future. Indah Sulistiyowati et al. (2010) explained that the company that does not have funds but still has to issue dividends may result in reduced funding for investment so that the company needs additional capital by issuing new shares or make loans to other parties. Therefore, the dividend policy is very important because it involves the interests of the two conflicting parties, namely the interests of the shareholders who expect the dividends, and the interests of the company against the retained earnings (Muhammad Asril Arilaha 2009).

Ratio analysis can be used to see the company's ability to pay dividends and to compare whether the company is in a healthy or unhealthy condition (Anjar Wibisono 2010). According to J. Fred Weston, quoted by Kashmir (2008: 106) forms of financial ratios include liquidity ratio, solvency ratio, activity ratio, profitability ratio, growth ratio, and valuation ratio. Financial ratio analysis can also affect the amount of dividends to be distributed to

the shareholders.

The amount of dividend payments is measured by the Dividend Payout Ratio (DPR). DPR has been studied by many researchers who tested or examined that the Dividend Payout Ratio can be influenced by many factors. One of them is influenced by the profitability factor, which is represented by Return on Equity (ROE) (Michell Suharli 2006). Musliki (2009) conducted a study to examine the effect of Debt to Equity Ratio (DER) on the Dividend Payout Ratio (DPR). DER is one of the calculations of the leverage ratio or solvency ratio. A research conducted by Tita Deitiana (2013) proved that the Total Asset Turnover (TATO) can affect the DPR, which is a way or the calculation of the activity ratio.

In addition to the three previously mentioned factors, Dividend Payout Ratio (DPR) can also be influenced by other factors. Tita Deitiana et al. (2009) proved that financial ratio for the type of market ratio or valuation ratio is Price Earning Ratio (PER) that can affect the DPR. In addition, DPR can also be affected by the Growth of Sales (GS) or the Growth of Sales is according to the research conducted by Khoirul Hikmah and Rurin Hastuti (2013). Liquidity ratio represented by the Current Ratio (CR) has an influence on DPR. This was proved by the research conducted by Sulastris and Harmadi (2009) stating that the Current Ratio has an influence on DPR. In addition, DPR can be influenced by company size. I Made Karya Utama (2012) explained that the variable of company size has the most dominant influence on the DPR.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESIS

### Definition of Dividend

According to Rudianto (2009: 290), dividend is part of the profits obtained by the company and is given by the company to its shareholders in exchange for their willingness to invest in the company. g to Rudianto (2009; 309) also argues that dividend is divided into five types: cash dividend, treasure dividend, scripts dividend, stock dividends and liquidation dividend.

### Dividend Policy

Dividend policy is a policy made by the company to establish the proportion of income that is distributed as dividends with the proportion that the earnings are retained by the company to be reinvested (Tita Deitiana 2009). According to Keown et.al (2010: 201), dividend policy includes two basic components. The first is the dividend payout ratio,

which indicates the amount of dividends paid relative to the income of the company. In addition, the second is the stability of dividends in time. Dividend payout ratio, according to Van Horne and Machowicz (2007: 270), is the amount of profit that can be retained within the company as a source of funding.

### **Financial Ratio**

Kasmir (2008: 104) explained that financial ratio is an activity of comparing the numbers contained in the financial statements by dividing one number by another number. Meanwhile, according to Sofyan Syafri Harahap (2013: 297), financial ratio is a number derived from the comparison between one post of financial statement with another post that has relevant and significant relationship.

Financial ratio analysis is an analysis by comparing one post of report with another post of financial statement, both individually and jointly in order to determine the relationship between a specific post, both on balance sheet and the income statement (Jumingan 2006: 242). Forms of financial ratio proposed by J. Fred Weston cited by Kashmir (2008: 106) consist of the ratio of liquidity, solvency, activity, profitability, growth and valuation.

### **The Effect of Current Ratio (CR) on Dividend Policy**

The criteria for companies that have a strong financial position are (1) able to meet its financial obligations to outside parties in a timely manner, (2) able to maintain sufficient working capital condition, (3) able to pay interest and dividend obligations that have to be paid, and (4) able to maintain a safe debt credit position (Tita Deitiana 2013). Liquidity can be calculated in several ways, one of which is the current ratio. This study uses the current ratio as the calculation of the liquidity ratio. According to Mamduh M. Hanafi and Abdul Halim (2009: 79-80), current ratio is useful to measure a company's ability to meet its short-term debt using its current assets, the assets that will turn into cash within one year or one business cycle. If the company has a high amount of current assets, the possibility to be able to distribute dividends to shareholders is good, because the company has the ability to repay its short-term debt that is secured by higher current assets, in which current assets are assets that can quickly turn into cash maximum within a period of one year.

**Hypothesis 1:** Current Ratio (CR) affects dividend policy.

### **The Effect of Debt to Equity Ratio (DER) on Dividend Policy**

Solvency ratio or leverage can be measured with some calculations or ratios. One of them is the Debt to Equity Ratio (DER). The explanation of the relationship between leverage and dividend policy, according to Indah Sulistiyowati et al. (2010), is that when the internal funds are insufficient, the company is required to perform external funding which usually gives priority on debt financing. Higher capital structure from debt makes the management takes priority on the repayment obligations before distributing the dividends (Michell Suharli 2006). Long-term debt is tied to a loan agreement to protect the interests of creditors (Muhammad Asril Arilaha 2009). Therefore, a company with a high solvency ratio or leverage will provide a low dividend to shareholders or investors because of precedence or priority debt payments prior to the debtor.

**Hypothesis 2:** Debt to Equity Ratio (DER) affects dividend policy.

### **The Effect of Total Asset Turnover (TATO) on Dividend Policy**

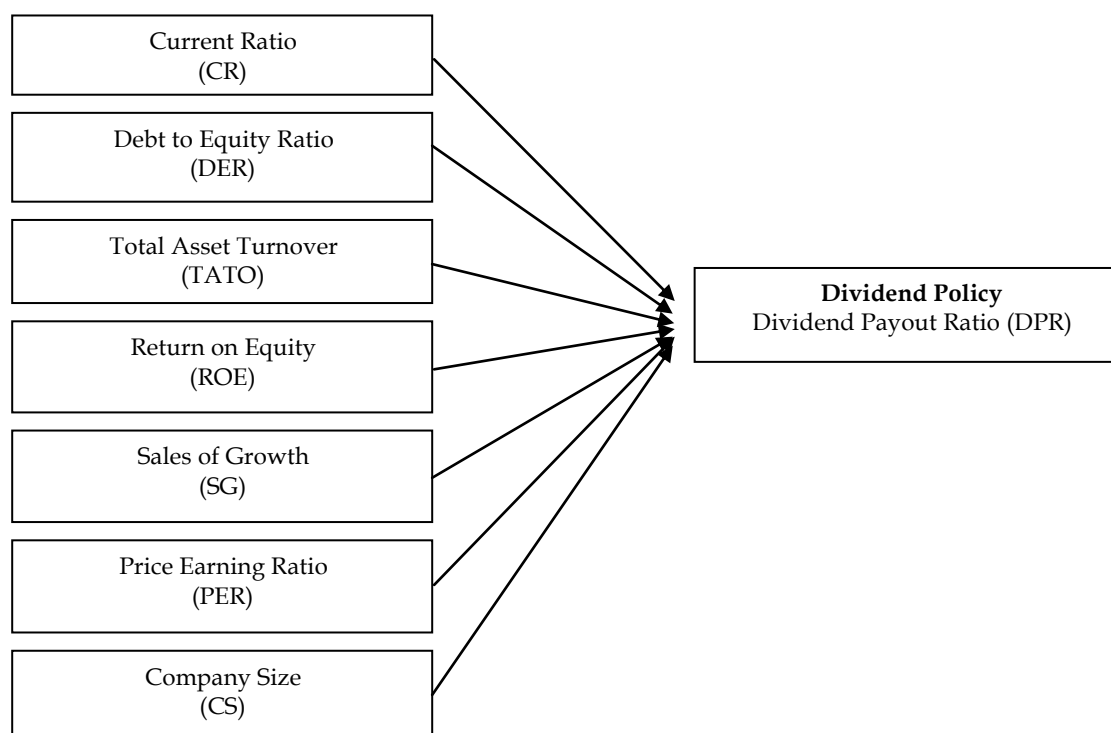
Total Asset Turnover (TATO) is one way of the activity ratio calculations. According to Dwi Prastowo (2011: 94), this ratio measures how efficiently the asset has been used to earn income. Based on the previous statement, it is indicated that the higher the TATO, the faster the turnaround of the assets, the more the company has the ability to generate a high income. If the company earns a high income, the benefits obtained by the company can also be increased. Thus, the higher of TATO ratio, the higher of dividend to be distributed to the shareholders.

**Hypothesis 3:** Total Asset Turnover (TATO) affects dividend policy.

### **The Effect of Return on Equity (ROE) on Dividend Policy**

Profitability of company is one way to assess accurately the extent to which the rate of return that would be obtained from investment activities (Muhammad Asril Arilaha 2009). The higher or bigger profit obtained by the company is expected to be able to distribute or provide the return on investment in the form of greater dividends to shareholders. Profitability in this study uses the calculation of return on equity (ROE). According to Deitiana Tita (2013) ROE is a ratio used to measure the amount of profit that becomes the rights of the shareholders.

**Hypothesis 4:** Return on Equity affects dividend policy.



**Figure 1**  
**Research Framework**

#### **The Effect of Growth of Sales (GS) on Dividend Policy**

According to Kashmir (2008: 107) growth ratios can be calculated in four ways; sales growth, profit growth, earnings growth per share, and dividend growth per share. Research conducted by Christina Heti Tri Rahmawati (2011) and Khoirul Lessons and Rurin Hastuti (2013) give the same results that the growth of the company by using the calculation of sales growth has a negative and significant effect on the Dividend Payout Ratio (DPR) as a proxy of dividend policy. This shows that with the high growth of the company, the distribution of dividends to shareholders is getting less.

**Hypothesis 5:** Growth of sales affects dividend policy.

#### **The Effect of Price Earning Ratio (PER) on Dividend Policy**

Price Earnings Ratio (PER) is a measurement of the valuation ratio or market. Price Earning Ratio indicates the amount of Indonesia Rupiahs to be paid by investor to each rupiah of the profit for the period (Tita 2009). Therefore, it is expected that the higher this ratio, the higher the dividend that can be given to the shareholders.

**Hypothesis 6:** Price Earning Ratio (PER) affects dividend policy.

#### **The Effect of Company Size on Dividend Policy**

According to Hidayat (2006) in Fransiskus Randa and Ingrid Abraham (2009), a large company that can easily access to the capital markets will be able to get the funds in a relatively faster. Therefore, a larger size of company is expected to have the ability to generate greater earnings so that it will be able to pay higher dividends than the smaller company (Fransiskus Randa and Ingrid Abraham; 2009).

**Hypothesis 7:** Company size affects dividend policy.

Figure 1 is the framework that becomes the basis of this research.

### **3. RESEARCH METHOD**

#### **Sample Classification**

The population in this study is all manufacturing companies listed in the Indonesia Stock Exchange and publish their financial statements on December 31 fiscal year in the Indonesia Directory Exchange (IDX) and the Indonesian Capital Market Directory (ICMD). The samples are manufacturing companies listed in the Indonesia Stock Exchange in the period from 2009 to 2013.

The sampling technique used in this study is purposive sampling method by determining the object of the study according to the need and purpose of the researcher, with the following criteria: (1) manufacturing companies listed in the Indone-

sia Stock Exchange from 2009 to 2013, (2) publish the financial statement data ended in December 31 in Indonesia Directory Exchange (IDX) and the Indonesian Capital Market Directory (ICMD) completely from 2007 to 2013, (3) present the financial statements in the form of Indonesia Rupiah, (4) distribute dividends in consecutive years from 2009- 2013 for the profit of the book year of 2008, 2009, 2010, 2011 and 2012, (5) have the variables associated with the research, such as liquidity ratio in Current Ratio (CR), solvency ratio in Debt to Equity Ratio (DER), activity ratio in Total Asset Turnover (TATO), profitability ratio in Return On Equity (ROE), company growth that uses the measurement of sales growth, and the assessment ratio in Price Earnings ratio (PER), and company size in Natural Logarithm (Ln) of total assets, and the data are taken from one year prior to the dividend paid (t-1), in 2008, 2009, 2010, 2011, and 2012.

There are 29 manufacturing companies which are selected from 145 manufacturing companies listed in the Indonesia Stock Exchange.

### **Research Data**

The type of data used in this research is secondary data, the information or data obtained from the Indonesian Directory Exchange (IDX) and the Indonesian Capital Market Directory (ICMD).

The data collection method used in this research is the method of documentation, by collecting, sorting or sharing, learning and performing calculations on the information from the financial statements of companies listed in the Indonesia Stock Exchange from 2009 to 2013.

### **Research Variables**

The research variables used in this study consist of the independent variables, such as Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TATO), Return on Equity (ROE), Growth of Sales (GS), Price Earning Ratio (PER), and Company Size (CS), and the dependent variable, such as dividend policy.

### **Operational Definition of Variables**

The operational definitions for each variable in this research are as follows:

#### **Dividend Policy**

This study uses Dividend Payout Ratio as the measurement of dividend policy. Dividend Payout Ratio (DPR) is calculated or measured by dividing the dividend for each share with earnings per share.

#### **Current Ratio**

Current Ratio is a ratio between current assets and current liabilities.

#### **Debt to Equity Ratio (DER)**

Debt to Equity Ratio is calculated by dividing the liabilities with the equity or capital.

#### **Total Asset Turnover (TATO)**

Total Asset Turnover is calculated by dividing the sales with the total assets.

#### **Return on Equity (ROE)**

Return on Equity is calculated by dividing net income with the total equity or capital.

#### **Sales Growth**

Sales growth is calculated by deducting the last year's sales with this year's sales and divided by last year's sales.

#### **Price Earnings Ratio (PER)**

Price Earnings Ratio is the calculation of the ratio between the price of share and earnings per year or per share.

#### **Company Size**

The company size in this study is measured by using total assets as the valuation measured by using Natural Logarithm (Ln) of the total assets.

### **Data Analysis Technique**

This study uses an analysis technique consisting of three sections; descriptive statistics analysis, normality testing, and hypothesis testing. Here are the steps to be conducted by the researcher in analyzing the data in order to produce results that correspond to the research objectives:

1. Sorting the data to be used for the research, and doing tabulation for each variable.
2. Performing descriptive analysis with the aim to make the readers understand the data studied more easily.
3. Testing the normality to determine whether the data in this research are distributed normally by using Kolmogorov-Smirnov test with the significance value above 0.05.
4. Analyzing multiple linear regressions to determine the effect and direction of the relationship between independent variable and dependent variable (Ghozali 2012: 96).
5. Testing the hypothesis. This consists of the determination coefficient analysis ( $R^2$ ), model testing (statistics test of F) whether the model in this study *fit*, that is when the significance value is below 0.05, and partial test (statistics test of t) to determine the effect of dependent variable on independent variable by looking at the significance value.
6. Drawing conclusion based on statistical tests.

#### 4. DATA ANALYSIS AND DISCUSSION

##### Normality Test

The result of normality test using Kolmogorov-Smirnov statistical test showed significance value of 0.115 above 0.05. Therefore, it can be said that the data are normally distributed.

##### Multiple Regression Analysis

Current Ratio (CR) variable indicates a negative regression coefficient of 0.008. However, the CR does not have a significant effect on the Dividend Payout Ratio.

The regression coefficient for Debt to Equity Ratio (DER) is 0.075 with a negative sign (-) and significant. This indicates that DER has a negative effect on DPR. Any increase in DER will result in lower DPR. The regression coefficient for Total Asset Turnover (TATO) shows a positive effect and not significant on the Dividend Payout Ratio (DPR) of 0.061.

Return on Equity (ROE) variable has a positive and significant effect on DPR with a regression coefficient of 0.458. The positive sign in the regression coefficient for the ROE variable shows an increase in ROE, and this will also result in an increase in the DPR.

Regression coefficient for Sales Growth (SG) shows positive value of 0.006, and no significant effect on Dividend Payout Ratio (DPR).

Price Earnings Ratio (PER) variable has a regression coefficient of 0.007 and significant to the DPR. In the regression equation for the PER, there is a positive sign that indicates that any increase in PER will also result in an increase in the DPR.

Regression coefficient for the company size variable is 0.006 with a positive sign and not significant to the DPR.

##### Coefficient of Determination ( $R^2$ )

The value of adjusted R Square is 0.357 or 35 percent. The ability of independent variables in influencing the dependent variable that can be explained in the model of this equation is 35 percent. There is 65 percent of the dependent variable that is influenced by other variables or other factors that are not included in the model equations in this study.

##### Statistic Testing of F

The value of F count is 12.424 with a probability of 0.000, that has a value smaller or lower than the significance value of 0.05 ( $0.000 < 0.05$ ). So it can be said that the regression model in this study can be considered fit.

The following is the discussion of the effect of the independent variable on the dependent variable:

##### The Effect of Current Ratio (CR) on Dividend Policy (Dividend Payout Ratio/DPR)

The hypothesis testing for the t test shows that the Current Ratio (CR) has a significant level of 0.05. This means that the CR variable does not have a significant effect on dividend policy proxied by Dividend Payout Ratio (DPR). This result is consistent with the research conducted by Sutoyo et al. (2011).

There is a reason why the CR variable does not have a significant effect on dividend policy (DPR), in which the sample of company that has high CR value cannot prove that the company has sufficient cash. It is because of the composition of current assets, which are dominated by accounts receivable and inventories. Thus, if a company distributes the dividends from the company's current assets, the company is thought not to have sufficient funds to be able to distribute dividends.

##### The effect of Debt to Equity Ratio (DER) on Dividend Policy (Dividend Payout Ratio/DPR)

The result of analysis for the testing of the Debt to Equity Ratio (DER) variable shows a negative and significant effect on the Dividend Payout Ratio (DPR). This can be evidenced by the significant value of the Debt to Equity Ratio (DER) based on the result of hypothesis testing for the t test of 0.005, which has a value below the level of significance of t is 0.05, so that it can be proved that there is a significant effect on Dividend Payout Ratio (DPR).

DER variable has negative and significant effect on DPR. The existence of a negative effect of the DER variable can be seen from the regression coefficient that shows a value of 0.075 with a negative sign.

The company with a high DER value will indicate a high level of corporate debt. The company needs funds not only from investors but also from the debtor. The company will reserve the funds held as the capital for further company's activities, and can use the debt received by the company to support the company's business activities. Therefore, the capital of the company will be maximized well by the company to be able to generate higher profits or income. High profits from better utilization of capital can be used for several purposes, one of which is to pay the debt. Thus, the profit of the company can be reduced by the payment of principal and interest, and reduce the amount of dividends distributed to shareholders. This result is

consistent with the research conducted by Variyetti Wira (2010).

#### **The Effect of Total Asset Turnover (TATO) on Dividend Policy (Dividend Payout Ratio/DPR)**

The result shows that Total Asset Turnover (TATO) has no significant effect on dividend policy (Dividend Payout Ratio/DPR). It is based on the hypothesis testing result for the t test that indicates that the significant value of the Total Asset Turnover (TATO) variable is greater than 0.05, i.e. 0.078. Thus, there is no significant effect on the Dividend Payout Ratio (DPR). This result is consistent with the result of research conducted by Septi Rahayuningtyas et al. (2014).

There is a possibility that Total Assets Turnover (TATO) has no significant effect on the Dividend Payout Ratio (DPR). According to Tita Deitiana (2013), Total Asset Turnover (TATO) demonstrates the effectiveness of the use of the assets to speed up the refund in the form of cash. Based on the data processed by the researcher, there are companies that experience increase in sales but decrease in assets, particularly in cash. And there are companies that experience increase in sales and assets but not cash dominating. That is because the assets are reinvested in order to continue the activities of the company. Thus, it can be estimated that the Total Asset Turnover (TATO) cannot significantly affect the Dividend Payout Ratio (DPR), because when using the assets of the company as a consideration in the determination of the dividend distribution there are likely many companies that do not have sufficient funds to be able to distribute dividends.

#### **The Effect of Return on Equity (ROE) on Dividend Policy (Dividend Payout Ratio/DPR)**

Based on the analysis, it is found that Return on Equity (ROE) variable has a positive and significant effect on the Dividend Payout Ratio (DPR). The result of t-test shows that the significance value of Return on Equity (ROE) is 0.000 below the significance level of 0.05. The result is consistent with the research conducted by Fransiskus Randa and Ingrid Abraham (2009), Isfenti Sadalia and Nurul Sari S. S. (2008), and Michell Suharli (2006), proving that the profitability which is represented by Return On Equity (ROE) is increasing, so the Dividend Payout Ratio (DPR) will also increase.

Dividend is a part of company profit distributed to shareholders. Profit is an advantage which can be produced by a company in a given period. The existence of a significant and positive effect of

Return on Equity (ROE) on the Dividend Payout Ratio (DPR) because, based on the data that have been collected, it is known that each sample of this research has profits which tend to increase. The increased company profits may make the company able to set the amount of dividend distributed to shareholders and the amount that will be used for investment activities.

#### **The Effect of Sales Growth on Dividend Policy (Dividend Payout Ratio/DPR)**

Based on the results of the research, sales growth (SG) does not have a significant effect on dividend policy (Dividend Payout Ratio/DPR). It is based on the t test of 0.961, which has a value above a significance level of 0.05.

The absence of the effect of Sales Growth (SG) on the Dividend Payout Ratio (DPR) is caused by the existence of 13 companies that experience a decline in sales so that they have negative rate of sales growth (SG). However, the companies that experience a decline in sales do not always experience decrease in profits. The data reveal that there are companies that experience a decline in sales but can generate higher profits. This shows that the sales growth is not considered in determining the dividend, because the companies, which experience sales growth, do not mean that they experience an increase in profits. The results are consistent with the results of the research conducted by Indrayani (2013).

#### **The Effect of Price Earnings Ratio (PER) on Dividend Policy (Dividend Payout Ratio/DPR)**

The result of the analysis shows that Price Earnings Ratio (PER) has a positive and significant effect on the Dividend Payout Ratio (DPR). It is based on the hypothesis testing result for the t test of 0.029.

If the Price Earnings Ratio (PER) is high, it is expected that the earnings per share is also high. This is evidenced from the amount of earnings per share of the companies that become the research samples, which tend to get much improvement, so the income that is available for the shareholders is also higher, and can increase the amount of the dividend. The existence of a significant effect of the price earnings ratio (PER) variable on the Dividend Payout Ratio (DPR) as a result of this study is consistent with the results of the research conducted by Tita Deitiana (2009).

#### **The Effect of Company Size on Dividend Policy (Dividend Payout Ratio/DPR)**

The result shows that the company size does not

have a significant effect on the Dividend Payout Ratio (DPR). It is based on the hypothesis testing result for the t test where the significance value of the company size variable is 0.644 or greater than the significance level of t test value of 0.05, so the company size variable does not have significant effect on the Dividend Payout Ratio (DPR). This result is consistent with the result of research conducted by Fransiskus Randa and Ingrid Abraham (2009).

There is a possibility that can be estimated as the reason why the company size does not have significant effect on the Dividend Payout Ratio (DPR). Large companies, which are expected to have a good ability to get easy access to the capital market, are not used, by investors, as a consideration to invest in the company for large company may have a higher risk than the small one. It can be known from the result of the research data, which shows that the company having the value of assets above the average also has the value of debt above average or high, and has a number of higher current liabilities from the current assets owned. Therefore, if a company obtains large funds from the capital market, the funds can be used to prioritize on debt payments in advance rather than to pay dividends.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The result of the research and discussion conducted by the researcher is in consistent with the previously formulated hypothesis. It can be concluded that the Debt to Equity Ratio (DER) variable has a negative and significant effect, Return On Equity (ROE) variable has a positive and significant effect, and Price Earnings Ratio (PER) variable has positive and significant effect on dividend policy as proxied by the Dividend Payout Ratio (DPR). Other independent variables, such as Current Ratio (CR), Total Asset Turnover (TATO), Sales Growth (SG), and company Size do not have a significant effect on dividend policy as proxied by the Dividend Payout Ratio (DPR).

This research has its limitations such as there are companies that publish their financial data in other form different from Indonesia Rupiahs, and the number of sample that meet the criteria are only 29 companies because there are many manufacturing companies that did not distribute or pay dividends from 2009 to 2013.

For that reason, it can be put forward for further research as follows: for future research, it may use different research object and can extend the

research period in order to obtain better research results, which further illustrate the factors that may affect dividend policy in the long term, and it is expected to consider the calculation of other financial ratios such as the Earning Per Share (EPS), Cash Ratio (CR), and Debt to Total Asset (DTA) as independent variables or other variables that could be expected to be able to affect dividend policy (dividend Payout Ratio/DPR).

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