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ANALYSIS OF LIQUIDITY, LEVERAGE AND DIVIDEND POLICY TOWARD PROFITABILITY IN PUBLIC Co. MANUFACTURING INDUSTRIAL SECTOR

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ABSTRACT

The purpose of this study is to empirically study the effect of accounting variables – liquidity ratio, leverage and profitability ratio - on research is to examine the factors which is influence Dividend Policy in manufactur sector of Bursa Efek Indonesia (BEI). The research use fundamental factors of company: financial ratio which is liquidity ratio represent by Current Ratio (CR), leverage ratio represent by Debt to Equity Ratio (DER), profitability ratio represent by Return on Investment (ROI), as independent variable and dependent variable Dividen Policy represent by Dividend Payout Ratio (DPR). The result of research indicate that the fundamental ratio which is consist of Current Ratio, Debt to Equity Ratio and Return on Investment are together have significant effect to Dividen Payout Ratio. The result also indicate that Current Ratio variable and Return on Investment variable is partiality have positive and significant effect to Dividen Payout Ratio, but Debt to Equity Ratio has no significant effect to Divident Payout Ratio.

Keywords: *Current Ratio (CR), Debt to Equity Ratio (DER), Return on Investment (ROI) and Dividen Payout Ratio (DPR).*

I. INTRODUCTION

The Ministry of Industry and Trade has issued a target for the growth of the industrial sector average of 8 percent per year for the period 2014- 2018. In addition, four priority industry groups were established, namely agriculture or agro-based industries (palm oil processing, fish canning, rubber, wood, cocoa, etc.), transportation equipment industries (motor vehicles, shipping and aerospace), industry telematics (information and telecommunications) and manufacturing (textiles, footwear, ceramics, electronics, paper consumption, and tires).

However, the main factors determining the production capacity of an industry are initial investment capital, industrial development, the availability of human resources, natural resource technology, and supporting sectors. One of the supporting sectors for the sustainability of an industry is the availability of funds. An inexpensive source of funds that can be obtained by an industry is by selling shares to the public on the capital market. The capital market in Indonesia, namely the IDX can be a media meeting between investors and industry. Specifically for theindustry *manufacturing,*there are 153 companies listed on the Indonesia Stock Exchange (IDX).

Companies that want to enter the capital market need to pay attention to the requirements issued by Bapepam as capital market regulators. In addition, companies must also be able to increase the value of the company so that there is an increase in sales of shares in the capital market. If it is assumed that the investor is a rational person, then the investor will definitely pay close attention to the fundamental aspects to assess the expected yield to be obtained.

Financial statements are important information for investors in making investment decisions. The benefits of the financial statements are optimal for investors if investors can

analyze further through financial ratio analysis (Penman, 2016). Horigan (2015) in (Tuasikal, 2017) states that financial ratios are useful for predicting corporate financial difficulties, operating results, the company's current and future financial condition, and as a guide for investors regarding past and future performance.

The financial ratios derived from these financial statements are often called the company's fundamental factors which are carried out using fundamental analysis techniques. Companies that *go public* are required to include relevant financial ratios in accordance with the Decree of the Chairman of Bapepam Number KEP-51 / PM / 1996 dated January 17, 1996 (BEI).

1.1. Background of the Problem

The economic development of a country can be measured in many ways, one of which is by knowing the level of development of the world capital markets and securities industries in the country. The*capital market*is a market for a variety of long-term financial instruments in the form of equity and debt that are due for more than one year. In capital market activities, investors have expectations of their investments, which are in the form of *capital gains* and dividends.

Dividend payment policy has an influence on shareholders and companies that pay dividends. Shareholders generally want a relatively stable distribution of dividends because this will reduce uncertainty about the expected return on their investment and can also increase shareholder confidence in the company so that the value of shares can also increase. For companies, the choice to distribute profits in the form of dividends will reduce their internal funding sources. Conversely, if the company retains its profits in the form of retained earnings, the ability to establish internal funds will be greater that can be used to finance company activities, thereby reducing the company's dependence on external funds and will simultaneously minimize the risk of the company.

The company's dividend policy is reflected in its *dividend payout ratio*, which is the percentage of profit distributed in cash dividends, meaning that the size of the *dividend payout ratio* will affect the investment decisions of shareholders and on the other hand, affect the company's financial condition.

The consideration regarding the *dividend payout ratio* is thought to be very related to the company's financial performance. If the company's financial performance is good, the company will be able to determine the amount of the *dividend payout ratio in* accordance with the expectations of shareholders and of course without ignoring the interests of the company to stay healthy and grow. The cash position or liquidity of a company is an important factor that must be considered before making a decision to determine the amount of dividends to be paid to shareholders. Because dividends are *cash outflows*, the stronger position of cash or company liquidity means the greater ability to pay dividends (Riyanto, 2015: 202).

Debt to Equity Ratio (DER) is the ratio of debt to capital. This ratio measures how far the company is financed by debt, where the higher the value of this ratio illustrates the symptoms that are not good for the company (Sartono 2014: 66).

The increase in debt will in turn affect the size of the net profit available to shareholders including dividends received because the obligation to pay debts takes precedence over dividend distribution. *Return on Investment (ROI)* shows the ability of capital invested in total assets to generate corporate profits. The higher *Return on Investment (ROI)*, the possibility of dividend distribution is also more numerous (Sartono, 2014).

Companies listed on the IDX do not all distribute dividends to their shareholders, both in the form of cash dividends and share dividends. This is caused by the existence of

different considerations in making policy decisions and dividend payments in each company. The manufacturing sector is the sector that distributes the most dividends to its shareholders during the period 2014-208 compared to other sectors listed on the Indonesia Stock Exchange (IDX). During the 2014-2018 period, there were 24 manufacturing companies that distributed dividends to their shareholders.

1.2. Formulate The Problem

Based on the background of the problem described above, the authors formulate the problem as follows: "Is Liquidity proxied by *Current Ratio (CR), Leverage* is proxied by *Debt to Equity Ratio (DER)* and Profitability is proxied by *Return on Investment (ROI))* has a significant influence on the Dividend Policy which is proxied by the *Dividend Payout Ratio (DPR)* on manufacturing companies on the Indonesia Stock Exchange (IDX)? "

1.3. The Hypothesis

Description above shows that the results of research on the effect of financial ratios onprices or *returns are* stockstill very varied. Seeing earnings and *leverage is* still an important concern for investors, this study wants to re-analyze previous research findings from the perspective of the company's fundamentals, namely the ratio contained in profit (profitability), especially *ROI, leverage, as* well as liquidity ratios and activity to yield levels (*return*) shares of companies in the consumer goods industry category on the IDX.

Based on the research problem formulation, the hypothesis is as follows: "*Current Ratio (CR) (CP), Debt to Equity Ratio (DER)* and *Return on Investment (ROI)* have a significant influence on *Dividend Payout Ratio (DPR)* in the manufacturing sector on the Exchange Indonesian Securities (IDX) ".

1.4. Objectives The Research

Purpose of this study is to provide empirical findings about the influence of accounting variables, particularly those relating to financial ratios at the individual level on dividend policies of companies that fall into the manufacturing industry category listed on the IDX. Specifically to "Know the effect of *Current Ratio (CR), Debt to Equity Ratio (DER)* and *Return on Investment (ROI)* significantly on *Dividend Payout Ratio* in the manufacturing sector on the Indonesia Stock Exchange (BEI)".

II. THEORETICAL BASIS

2.1 Financial Ratios and Benefits

The financial ratios are used to compare the risks and returns of various companies to help investors and creditors make good investment and credit decisions (White et al., 2015). There are three categories of ratios used to measure various aspects of the relationship of risk and *return* (White et al., 2015), which are as follows:

> (1) Liquidity analysis: measures the adequacy of a company's cash resources to meet cash-related obligations in the short run.(2) Analysis of *solvency* and *long term debt* (*leverage*): examines the company's capital structure, including long-term funding sources and the company's ability to meet investment obligations and long-term debt. (3) Profitability analysis: measuring a company's *earnings* (earnings) relative to *revenue* (*sales*) and invested capital.

One of the goals and advantages of the ratio is that it can be used to compare the relationship of *return* and risk of companies of different sizes. The ratio can also indicate a company's profile, economic characteristics, competitive strategies and unique operating, financial and investment characteristics.

2.2 Types of Financial Ratios

There are various definitions of ratios and are so varied between one analyst and another as well as between one *text book* with another *text book* or between one financial statement with another financial statement (White, 2015). Following are some commonly used financial ratios adapted from *The Analysis and Use of Financial Statements by White, Sondhi and Fried* (2014).

Liquidity
Ratio

The concept of working capital or operation is based on the classification of *assets* and *liabilities* in the form of current and non-current categories. The difference traditionally between *current assets* and *current liabilities is* based on maturity of less than one year or based on the company's normal operating cycle (if more). There are three ratios comparing cash to current debt to measure the company's obligations (*cash obligations*):*current ratio, cash ratio, cash flow from operations ratio.*

Leverage (Debt) Ratio

The higher the proportion of *debt* relative to equity increases the risk of the company. As with other ratios, industrial and economic factors greatly influence both the level of *debt* and the nature of *debt* (maturity and fixed and variable interest rates). For example, capital intensive industries tend to use high levels of *debt* to fund *property, plans and equipment* . *Debt* to fund such activities must be long-term in order to be in accordance with the period of assets obtained. *Debt ratio is* shown by the ratio of *debt to total capital, debt to equity.*

Profitability Analysis

Investors in the capital market are very concerned about the company's ability to generate, support, and increase *profits*. *Profitability* can be measured several different things, but in interrelated dimensions. First, there is a relationship between *profit* and *sales,* resulting in a *residual return* for the company per rupiah of sale. Another measurement is *return on investment* (ROI) or also called *return on assets* (ROA), which is related to *profit* and investment or *assets* used to produce it. *Return on sales* can be a ratio of *gross margin, operating margin, profit margin. Return on investment* can be in the form of a ratio of *return on assets,* and *return on equity.*

This study uses liquidity ratios or *working capital ratios*, *debt* ratios and profitability ratios, each of which is chosen to be the ratio calculation of each of the ratios above. For example for liquidity ratios using the *current ratio*, theratio is *debt* or *leverage* explained by the *debt to equity ratio*, while the profitability ratio is measured by the ratio of *return on investment*. This is consistent with the variable used by Tuasikal (2017), but it includes all components of the ratio and added to the market ratio. Likewise, Kennedy (2015) uses all financial ratios in accordance with the Dupont analysis.

2.3 Previous Research

Several previous studies relating to the benefits of accounting information for predictingor *returnsreturns* stockon the IDX are presented below. Sudarsi (2016) conducted a study of 38 companies *listing* on the Indonesia Stock Exchange in the 2001-2014 study period. The results revealed that stock price fluctuations were significantly and simultaneously influenced by the variables *Return on Investment, dividend pay out ratio*, stock trading volume, and interest rates on deposits. Meanwhile ROI turned out to have a dominant influence.

Tests conducted on the capital market in Indonesia are inspired by previous studies conducted in other countries, such as O'Connor (2015) who pioneered studies on the relationship between financial ratios useful for investors (ordinary shareholders) to make decisions. The test results show that the strength analysis of variations in

themodel *ratio* with *return on investment* shows the diversity of financial ratio benefits for ordinary shareholder investors. Ou & Penman (2016) examined the benefits of financial statements in predicting *returns* stock. Their research results show that accounting information contains fundamental information that is not reflected in stock prices.

Gupa and Heufner (2014) continue that certain financial ratios have different benefits or meanings when associated with different characteristics of certain industries. Similar to the statements of Gupa and Heufner is what was stated by Foster (2016). He argued that certain ratios between one industry and another had significant differences.

Investors need to have benchmarks in order to know whether if he invested in a company he would get the *gain* (profit) if the shares are sold. Investors can use the yield level as a benchmark to see the expected yield of a stock.

Research on the usefulness of accounting information (financial statements) in relation to *returns* and share prices on the Jakarta Stock Exchange has been carried out, among others as follows. Machfoedz (2014) examined the benefits of financial ratios in predicting changes in corporate profits in the future at 89 manufacturing companies listed on the IDX for four years. Fun (2017) found that the ratio of the balance sheet and profit and loss have a stronger connection with *returns* stockcompared to cash flow ratio. Kennedy JSP, (2015), examines the effect of *ROI, ROE, earnings per share, profit margin, asset turnover, leverage ratio,* and *debt to equity ratio* on *returns* stock.

Triyono and Jogiyanto (2016) examined the relationship of the information content of cash flow, cash flow components, and accounting earnings with stock prices or *returns* stock. Tuasikal (2017) tests the benefits of accounting information in predicting *returns* stock. Similar to the previous Tuasikal Parawiyati et al. (2017) examined the use of financial information to predict investment returns for investors in the capital market. The test results show that the financial information variable has a significant effect as a predictor of earnings and cash flow for the next one, two and four years.

In addition, Natarsyah S. (2014) analyzed the influence of several fundamental factors and systematic risk on stock prices. His research is a study of 16 consumer goods industries that *went public* on the capital market over a period of 8 years (2010 - 2017) by assuming that stock prices are a function of *ROI, ROE,* beta*, book value, debt / equity* and the *required rate of return*. After testing the hypothesis, the results show that fundamental factors such as *Return on Investment, dividend payout ratio, debt to equity ratio, pershare book value equity,* and beta index influence the company's stock price.

Machfoedz (2014) examines the benefits of financial ratios in predicting changes in corporate profits in the future on 89 manufacturing companies listed on the Indonesia Stock Exchange from 2009-2013. Machfoedz shows that certain financial ratios can be used to predict earnings one year in the future, but not to predict more than one year.

Sudarsi (2016) found that the balance sheet and profit and loss ratio have a stronger relationship with *returns* stockcompared to the cash flow ratio. While the research conducted by Kennedy JSP (2015) examined the effect of *ROI, ROE, Earnings per Share, Profit Margin, Asset Turnover, Leverage Ratio,* and *Debtoto Equity Ratio* of *Return* stock. The sample used was *LQ 45* on the Indonesia Stock Exchange in 2011 and 2012. Using the regression analysis technique the results obtained showed that only variable *asset turnover, ROI, ROE, leverage ratio, debt to equity ratio,* and *earnings per share* provide a real relationship with *returns* stock. Although individually the average relationship is low, together they have a significant effect on the dependent variable.

Meanwhile Tuasikal (2017) tests the benefits of accounting information in predicting *returns* stock. The sample used is manufacturing and non-manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2015. The results of his research indicate that for manufacturing companies accounting information in the form of financial ratios is not useful in predicting *returns* stockfor the next one year period. Conversely, to predict the next two years the test results show accounting information in the form of certain financial ratios is useful in predicting *returns* stock. On the other hand accounting information in forms of certain financial ratios has different predictive capabilities between manufacturing and non-manufacturing companies in predicting *returns* stockfor the next two years.

Natarsyah S. (2014) analyzed the influence of several fundamental factors and systematic risk on stock prices. This study is a study of 16 consumer goods industries that *went public* in the capital market over a period of 8 years (2010 - 1017) by assuming that stock prices are a function of *ROI, ROE, beta, book value, debt / equity and the required rate of return*. After testing the hypothesis, the results show that fundamental factors such as *Return on Investment, dividend payout ratio, debt to equity ratio, pershare book value equity*, and beta index influence the company's stock price. The second hypothesis testing is to see whether *ROI* - as an indicator of a *earning power* company's, that is, that reflects management performance in using all its *assets* has a dominant influence on stock prices.

This hypothesis does not have support because it turns out that *book value equity per share* has a dominant influence on stock prices. Parawiyati et al. (2016) have studied the use of financial information to predict the return on investment for investors in the capital market based on financial statement data of 48manufacturing company *publicly traded* which has been registered on the Stock Exchange from 2009 - 2014. The financial information that is used is receivable, preparation, cost adminisrasi and sales, and the ratio of gross profit to sales used to estimate profit or cash flow for the next one, two and four years. The test results show that the financial information variable has a significant effect as a predictor of earnings and cash flow for the next one, two and four years.

Pankoff and Virgill (2016) in Zainudin & Jogiyanto (2016) suggested that the benefits of financial statements cannot be measured only from their accuracy, reflecting the company's financial condition in the past. However, benefits should also be measured in predicting the company's financial condition in the future so that financial statements are useful as an input in making investment decisions. Machfoedz's research (2014) found the predictive power of financial ratios for one year period is higher than two years and the predictive power of financial ratios for two years period was found to be insignificant.

III. RESEARCH METHOD

3.1. Operational Definition

In this study there are two variables, the dependent variable and the independent variable. The dependent variable (Y) is the *Dividend Payout Ratio (DPR)*, while the independent variable (X) consists of *Current Ratio (CR), Debt to Equity Ratio (DER)* and *Return on Investment (ROI).*

Independent Variable (X):

a. *Current Ratio (CR)* (X1) *Current Ratio (CR) is* calculated based on comparison between Current Assets and Current Liability of the company.

$$\text{Current Ratio (CR)} = \frac{\text{Current Assets}}{\text{Current Liability}}$$

b. *Debt to Equity Ratio* (X2) *Debt to Equity Ratio (DER)* is the ratio of debt toequity. This ratio measures how much the company is financed by debt compared to own capital.

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total own capital}}$$

c. *Return on Investment* (X3) *Return on Investment (ROI) is* calculated based on the ratio of net profit after tax to the total assets owned by the company.

$$\text{ROI} = \frac{\text{Net profit after tax}}{\text{Total assets}}$$

d. Dependent Variable (Y): *Dividend Payout Ratio* (Y) is measured by comparing cash dividends per share to earnings obtained per share.

$$\text{DPR} = \frac{\text{profit obtained per share}}{\text{cash dividend per share}}$$

3.2. Population and sample

population used in this study are all companies listed *(listing)* in Indonesia Stock Exchange (BEI) in the period January 2014 to December 2018, as many as 142 companies. Sampling conducted by the author is to use a non-probability sample design with the method of *"judgment sampling*". *Judgment Sampling* is one type of *purposive sampling in* which the researcher chooses a sample based on an assessment of some characteristics of the population members that are adjusted to the purpose of the study (Kuncoro, 2013: 119).

The sampling criteria used by researchers are as follows:

a. Issuers are always listing on the Indonesia Stock Exchange (IDX) during the research period, namely 2014-2018.

b. Issuers that have complete financial statement data during the study period, namely 2014-2018.

c. Issuers that always distribute dividends during the study period, namely 2014-2018. Based on the characteristics of sampling, 24 research companies were obtained.

3.3. Data Analysis Method

a. Descriptive Analysis

Descriptive analysis method is a method used to analyze the data available and processed in order to obtain a clear picture of the facts and the relationship between the phenomena under study.

b. Statistical Analysis

The analysis model used is multiple linear regression analysis model. This model is used to determine the effect of independent variables on the dependent variable with the following equation:

$$Y = a + b1X1 + b2X2 + b3X3 + e$$

Where:

Y = *Dividend Payout Ratio (DPR)*

a = Constant
X1 = *Current Ratio (CR)*
X2 = *Debt to Equity Ratio (DER)*
X3 = *Return on Investment (ROI)*
b1,2,3 = Variable regression coefficient

X1,2,3 e = *error* Multiple regression models used in this study met the classical assumptions requirements namely normality test, multicollinearity test, autocorrelation test and heterokedasticity test.

c. Coefficient of Determination

The coefficient of determination can be seen in the *Adjusted R Square value* which shows how much the independent variable can explain the independent variable. The higher the *Adjusted R Square value* , the better the regression model used because it indicates that the ability of the independent variable to explain the dependent variable is also greater, and so if the opposite occurs.

d. Hypothesis Testing

(1) Simultaneous Test (F Test)

This test is carried out to determine whether the independent variables simultaneously have a significant effect on the dependent variable. Form of testing: H0: b1= b2= b3= 0, meaning that the variable *Current Ratio (CR), Debt to Equity Ratio (DER)* and *Return on Investment (ROI*) contained in this model simultaneously have no influence significant to the *Dividend Payout Ratio* (DPR). H1: b1 ≠ b2 ≠ b3 ≠ 0, meaning that the variable *Current Ratio (CR), Debt to Equity Ratio (DER)* and *Return on Investment (ROI)* contained in this model simultaneously have a significant effect on the *Dividend Payout Ratio (DPR).* In this study theF valuecalculated will be compared with the Ftable at a significant level (α) = 5%.

The criteria for evaluating hypotheses in this F-test are: Accept H0 if Farithmetic δ Ftable Reject H0 (accept H1) if Farithmetic > Ftable

(2) Partial Test (Test t)

This test is carried out to test whether each independent variable has a significant effect on the dependent variable. Form of testing: H0: b1= b2= b3= 0, meaning that there is no significant effect of *Current Ratio (CR), Debt to Equity Ratio (DER)* and *Return on Investment (ROI) individually* on *Dividend Payout Ratio (DPR).* H1: b1 ≠ b2 ≠ b3 ≠ 0, meaning that there is a significant influence from *Current Ratio (CR), Debt to Equity Ratio (DER)* and *Return on Investment (ROI) individually* on *Dividend Payout Ratio (DPR).*

In this study thet valuecalculated will be compared with ttable at a significant level (α) = 5%. Criteria for decision-making on the t-test are: H0 accepted if:t ≤ ttable H1 accepted if:t> tTable

IV. RESULTS AND DISCUSSION

a. Multiple Linear Regression shows the results of the estimation of regression through processing SPSS 12.0 *for windows.*

b. Determination Coefficient Determination Coefficient Model

This means that the independent variables contained in this model are not strong enough to predict the dependent variable. This is most likely due to the pure model only uses the company's fundamentals and did not enter the market as a variable factor bebasnya.Secara logical decision based companies must not only fundamental factors alone but must also consider other factors outside the company as well as to dividend decision.

c. Hypothesis Testing

(1) Simultaneous Test (F Test)

Based on the SPSS results in the *Sig. F* 0,000 smaller than the 0.05 and 12.227 Fhitung value greater than 3.00 indicates that only Ftabel that H0 is rejected and H1 accepted so that it can be concluded that the variable *Current Ratio, Debt to Equity* and *Return on Investment* in This model simultaneously significantly influences thevariable *Dividend Payout Ratio*.

(2) Partial Test (t-test)

This test is carried out to determine the significance of the influence of the independent variables individually (partial) on the dependent variable.

Partial significance test of each variable as follows:

a. Variable *Current Ratio(CR)* has a significant effect on *Dividend Payout Ratio* because it has a significance level less than 0.05 which is 0.042 (0.042 <0.05). The regression equation in table 1 shows the coefficient of *Current Ratio (CR)* of 3.603, this figure shows the variable *Current Ratio (CR)* besides having a significant effect it also has a positive effect where if *Cash Position* has increased 1 time there will be an increase in *Dividend Payout Ratio* of 3.603 times and vice versa if the *Cash Position* has decreased the *Dividend Pay Out Ratio* has also decreased. This is in accordance with the theory put forward by Sudarsi (2000.4) which states that dividends are *cash out flow,* of course, requiring *cash position* a strongso that they can pay dividends. This certainly can be understood because the payment of cash dividends is a *cash* outflow which of course requires the availabilitygets *cash* of sufficientor a liquidity position must be maintained so that even if the companyhigh profits and low debt and interest, if it is not supported by a strong cash position then the ability to pay dividends is low.

   Therefore, management is demanded to continue to manage their cash or assets that are equal to cash properly so that company liquidity is not disrupted.

b. Variable Debt to Equity Ratio does not have a significant effect on Dividend Payout Ratio because the significance level is greater than 0.05, which is 0.068 (0.068> 0.05). The regression equation in table 1 shows the coefficient of Debt to Equity Ratio of 5.088, the figure shows that if Debt to Equity Ratio increases by 1 time, the Dividend Payout Ratio will increase by 5,088 times. The results of this study are not in accordance with the theory put forward by Sartono (2014: 66) i.e. the higher the Debt to Equity Ratio the less the company's ability to pay dividends, whereas the lower the Debt to Equity Ratio the higher the company's ability to pay dividends. The commitment of the manufacturing sector companies to make dividend payments regularly causes the ability to pay dividends is not influenced by the size of the company's debt even the increase in debt can increase the company's ability to pay dividends as long as the use of debt must always be accompanied by an increase in corporate profits. This is in accordance with financial theory which states do not do new debt if it does not generate additional profit.
c. The variable Return on Investment has a significant effect on the Dividend Payout Ratio because the significance level is smaller than 0.05 which is 0,000 (0,000 <0.05). The regression equation in table 1 shows thecoefficient Return On Investment of 1.219, if Return On Investment increases 1 time it will increase the Dividend Payout Ratio by 1,219 times. This is in accordance with the theory put forward by Sartono (2014: 122)

which states the higher the Return On Investment , the greater the possibility of dividend distribution. In other words, the greater the benefits the greater the company's ability to pay Dividends. This shows the company is always trying to improve its image by way of any increase in profits will be followed by an increase in the portion of profit that is divided as dividends and can also encourage an increase in the value of the company's shares. However, the company should not neglect the health of corporate funding, which is characterized by an increased dependence on internal funds sourced from retained earnings because if the company's growth and development is carried out by reducing dependence on external funds and replacing them with internal funding sources, in addition to reducing the risk the company can also enlarge the shareholders' ownership of the company. This means that an increase in the value of a company marked by an increase in the value of shares is not entirely due to an increase in dividends but also because of an increase in equity in the form of retained earnings so that the increase in shareholder wealth is not only due to the acquisition of dividends but also due to an increase in ownership in the form of retained earnings.

V. CONCLUSION

Based on the results of research and discussion previously stated, the conclusions of this study are as follows:

a. Variable Current Ratio (CR), Debt to Equity Ratio (DER) and Return on Investment (ROI) based on the results of a simultaneous test (statistical test F) significantly affect the variables Dividend Payout Ratio(DPR).
b. Variable Current Ratio (CR) and Return on Investment (ROI) has a positive and significant impact on the Dividend Payout Ratio (DPR) whereas the independent variables the other, the Debt to Equity Ratio (DER) had no significant effect on the Dividend Payout Ratio (DPR) based on partial test results (t test statistics).
c. Value Adjusted R Square in this study was 0.27. This means that 27% of the variation in the Dividend Payout Ratio (DPR) is explained by the three independent variables while the remaining 73% is explained by other factors outside the research model.

VI. SUGGESTIONS

a. The factors that influence the dividend payout ratio in this study are only limited to the internal information of each company based on the company's financial statements. Therefore, it is recommended that further research also use company external information regarding macroeconomic conditions such as Gross Domestic Product (GDP), inflation rates, interest rates, exchange rates and others.
b. To maintain shareholder loyalty to the company, cash position and ability to earn profits can be maintained and improved so that the company's ability to pay dividends is maintained and of course without neglecting control of company risk in the form of increased use of internal and automatic funds as well as an increase in ownership of shareholders.
c. Optimal debt empowerment and with efficient debt financing will have a positive and significant impact on the company's ability to pay dividends.

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