

Determining Dividend Payout Ratio and Good Corporate Governance on Consumer Goods Companies in Southeast Asia

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Abstract

For more than a decade, Southeast Asia has been a growth market for consumer-packaged-goods (CPG) manufacturers. Countries that are members of the ASEAN-5 group are countries with the best economic growth in Southeast Asia, thus they are expected to represent Southeast Asia accurately. The purpose of this study is to analyze the effect of Current Ratio, Return On Investment, Asset Growth, and Good Corporate Governance on Dividend Payout Ratio. The population in this study are 227 consumer goods companies in ASEAN-5. Using purposive sampling technique, 18 companies were selected. The data in this study is secondary data obtained through documentation technique. The analytical technique used is Multiple Regression Analysis tested with SPSS. The results showed that Current Ratio has no effect on Dividend Payout Ratio. Return On Investment and Good Corporate Governance have a significant positive effect on Dividend Payout Ratio. However, Asset Growth has a significant negative effect on the Dividend Payout Ratio. Meanwhile the results of the research simultaneously showed a significant positive effect of Current Ratio, Return On Investment, Asset Growth, and Good Corporate Governance on the Dividend Payout Ratio.

Keywords: Current Ratio, Return On Investment, Asset Growth, Good Corporate Governance, Dividend Payout Ratio

I. Introduction

For more than a decade, Southeast Asia has been a growth market for consumer-packaged-goods (CPG) manufacturers. Based on McKinsey Global Consumer Sentiment Survey 2017 Total grocery sales in Southeast Asia have more than doubled since 2006, reaching \$290 billion in 2017. Over that period, modern grocery formats (such as supermarkets and hypermarkets) have certainly captured market share—but their gain has been a mere six percentage points. Today, modern grocery still accounts for only 23 percent of the grocery market in Southeast Asia.² By contrast, in Japan and South Korea, modern grocers generate approximately 80 percent of total grocery sales.

Countries that are members of the ASEAN-5 group are countries that have the best economic growth in Southeast Asia. The selection of ASEAN-5 countries as sample objects in this study is expected to represent Southeast Asia accurately with better economic growth than other countries in the Southeast Asian region.

The largest economy in Southeast Asia is Indonesia. In Indonesia, the consumer goods company is one of the large-scale companies. For investors, consumer goods company is one of the companies with promising prospects. In early 2018, the average stock index of the consumer goods sector recorded a correction of 13.77% as of Friday

(25/5/2018). In a week, the conditions changed, in which the sector successfully recorded a gain of 3.69%⁽¹⁾. However, throughout 2019 or year to date (ytd), shares of the consumer goods sector fell by 21.24 percent, the highest compared to other sector shares on the Indonesia Stock Exchange (IDX).

The existence of competitive competition requires companies to be able to manage their finances properly in order to increase profits every year. All companies always pay attention to their financial part. Financial reports are one of the most important things in assessing the performance of a company.

In other cases, the assessment of financial performance can be a reference for management to make decisions in the welfare of investors such as how much companies have to pay dividends to shareholders. The company's policy in distributing dividends can be seen from the dividend payout ratio.

Dividend policy in a company is an agreement that involves two parties between investors and company management. The parties with an interest in dividend distribution often disagree, this is a problem faced by the company. Therefore, the implementation of good Good Corporate Governance (GCG) is needed in a company, in order to minimize conflicts of interest between investors and company management.

Based on the description above, the researcher is interested in conducting research entitled "Influence of Current Ratio, Return On Investment, Asset Growth, and Good Corporate Governance on Dividend Payout Ratio (Study on Consumer Goods Companies in Southeast Asia)".

2. Literature Review

There are several literatures which used in this paper, such as:

1) Dividend Payout Ratio

The dividend payout ratio is determined by company earnings. According to Sudana (2011: 167) "Dividend Payout Ratio is the percentage of net profit after tax which is distributed as dividends to shareholders."

The following is the formula used to calculate the dividend payout ratio:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend}}{\text{Net Income}} \times 100\%$$

2) Current Ratio

According to Brigham & Huston (2014:134) "Current Ratio is calculated by dividing current assets by current liabilities. This ratio shows the extent to which current liabilities are covered by assets that are expected to be converted into cash in the near future."

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

3) Return On Investment

According to Kasmir (2016:201) the definition of ROI is "The return on investment or better known as return on investment (ROI) or return on assets (ROA) is a ratio that shows the results (return) on the total assets used in the company." ROI is also a measure of management effectiveness in managing its investment.

$$\text{Return On Investment} = \frac{\text{Net Income}}{\text{Total assets}} \times 100\%$$

4) Asset Growth

According to Heru Prasetyo (2011:110) "Company growth is always synonymous with company assets (both physical assets such as land, buildings, buildings and financial assets such as cash, accounts receivable and so on). The asset paradigm as an indicator of company growth is commonly used. The total value of assets in the balance sheet determines the company's wealth. "

The following is the formula for calculating asset growth according to Heru Prasetyo (2011: 110):

$$\text{Asset Growth} = \frac{\text{Total Assets Year}_t - \text{Total Asset Year}_{t-1}}{\text{Total Asset Year}_{t-1}}$$

Note :

Total Assets_t = Current year's assets
Total Assets_{t-1} = Previous year's assets

5) Good Corporate Governance

According to Tunggul (2013:149) Corporate Governance is "a system and structure for managing a company with the aim of increasing shareholder value (shareholders) such as creditors, suppliers, business associations, consumers, workers, government and the wider community."

Good Corporate Governance can briefly be interpreted as a system that regulates and controls a company or corporation to create added value for the company's stakeholders. The implementation of GCG in a company can encourage the formation of a clean, transparent and professional management work pattern.

In this study Good Corporate Governance calculate by:

$$\text{Managerial Owned} = \frac{\text{Total shares owned by management}}{\text{Outstanding Shares}}$$

6) Previous Research

Fajariyanti (2018) research entitled "The Influence of Current Ratio, Debt To Equity Ratio and Return On Investment to Dividend Payout Ratio in Automotive Sub Sector Companies and Components Listed on the Indonesia Stock Exchange 2011-2016". The results showed that the Current Ratio variable has a positive and significant effect on the Dividend Payout Ratio. The variable Debt to Equity Ratio has a negative and significant effect on the Dividend Payout Ratio. The variable Return on Investment has a positive and insignificant effect on the Dividend Payout Ratio.

Mufidah (2018) research entitled "The Influence of Asset Growth, Sales Growth, Net Profit Margin, Current Ratio and Debt To Equity Ratio on Dividend Payout Ratio in Companies Included in the Lq 45 Index 2013 - 2016". The results showed that partially only the net profit margin has no significant effect. Asset growth, Current ratio and Debt to Equity have a significant negative effect, while Sales Growth has a significant positive effect on the dividend payout ratio.

Tamrin (2018) research entitled "The Influence of Corporate Governance on Dividend Policy and Company Value in Manufacturing Companies in IDX". The results showed that Corporate governance have a positive and significant effect on dividend policy, Corporate governance has a negative and significant effect on Company value.

Hypothesis that are proposed in this research are:

1. The Influence of Current Ratio towards Dividend Payout Ratio

Current ratio is the ratio used to measure a company's ability to meet its short-term liabilities by comparing current assets with current debt. Dividends are distributed to shareholders using cash owned by the company, to pay dividends in a stable manner the company must have sufficient cash. The availability of sufficient cash can be calculated using the Current Ratio. From this description, it can be seen that the Current Ratio has a positive effect on the Dividend Payout Ratio. Research Fajariyanti (2018) states that the current ratio has a significant positive effect on the dividend payout ratio, this means that if the current ratio increases, the dividend payout ratio will also increase.

H1: Current Ratio has a positive significant effect on Dividend Payout Ratio

2. The Influence of Return On Investment towards Dividend Payout Ratio

Return on Investment is a profit that is calculated based on the result of dividing the income generated by the amount of capital invested. The higher the rate of Return On Investment, the greater the company's ability to generate net income and pay dividends regularly. From this description, it can be seen that ROI has a positive effect on the Dividend Payout Ratio. According to the results of research Framitha & Suchartini (2019) states that the projected profitability ratio with Return on Assets (ROA) has a significant effect on the dividend payout ratio.

H2: Return on Investment has a positive effect on the Dividend Payout Ratio.

3. The Influence of Asset Growth towards Dividend Payout Ratio

Asset growth affects the dividend policy taken by management. This is because if the growth of a company's assets is getting bigger, the company tends to use the profits earned for expansion rather than paying it as dividends. If the growth of assets is bigger, it indicates that the company is growing, thus management will use most of the profits generated to finance its growth, which means that the remaining profit to be distributed to shareholders will be smaller. In research Mufidah (2018) states that asset growth has a significant negative effect on the dividend payout ratio.

H3: Asset Growth has a negative effect on the Dividend Payout Ratio.

4. The Influence of Good Corporate Governance towards Dividend Payout Ratio

Quoted in Puspaningsih & Pratiwi (2017) according to Sulistiyowati et al (2010) good corporate governance is a form of investor protection against the dividend payout ratio. Agency theory explains that the existence of good

corporate governance can function as a tool to provide confidence to shareholders that they will receive a return on their invested capital. According to research (Gunawan, R. Murhadi, & Herlambang (2019) good corporate governance has a positive significant effect on the dividend payout ratio.

H4: Good Corporate Governance has a positive effect on the Dividend Payout Ratio.

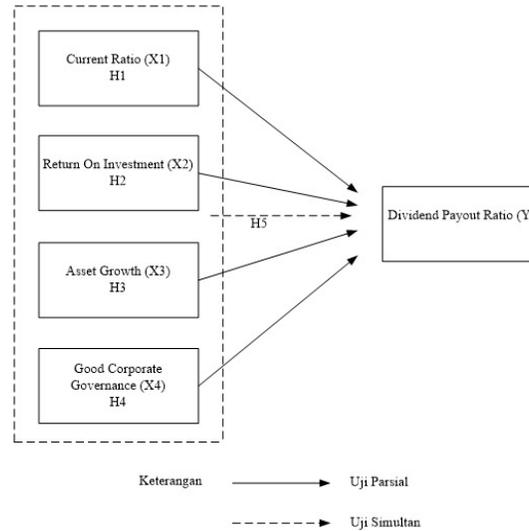


Figure 1. Research Paradigm

3. Research Methods

This study uses quantitative approaches. The data used in this study is secondary data obtained from the stock exchanges of each country that are members of ASEAN-5, the population is all consumer goods companies in ASEAN-5. The total of consumer goods companies listed on the stock exchanges of each country that are members of ASEAN-5 was 227 companies. The sampling technique used in this study was purposive sampling and 18 companies were selected. The analytical technique used is Multiple Regression Analysis tested with SPSS for Windows version 18.

In this study, the data analysis technique used multiple linear regression, analysis technique to know the effect between the independent variable and the dependent variable which shows a one-way relationship. The models in this study are:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Information :

- Y = Dividend Payout Ratio
- α = Constant
- $\beta_1 - \beta_4$ = Regression Coefficient
- X1 = Current Ratio
- X2 = Return On Investment
- X3 = Asset Growth
- X4 = Good Corporate Governance
- e = Standart error

4. Result and Discussion

The classical assumption test is a requirement that must be met in multiple linear regression analysis. Test this aims to provide certainty that the regression equation obtained has accuracy in estimation, is unbiased, and consistent.

1) Classic Assumption Test

a. Normality Test

This test is used to determine whether the data contained in each variable is normally distributed or not. The results of the normality test can be seen in Table 1.

Table 1. Kolmogorov Smirnov Test

		Unstandardized Residual
N		54
Normal parameter ^{ab}	Mean	0.000000
	Std. Deviation	0.67320647
Most Extreme Differences	Absolute	0,147
	Positive	0.147
	Negative	-0.077
Kolmogorov – Smirnov Z		1.077
Asymp. Sig (2-tailed)		0.197

a. Test distribution is normal

b. Calculated form data

In table 1 it is known that the research data is normally distributed. This can be seen from Asymp. Sig. (2-tailed) of 0.197 which shows a significance value greater than 0.05 thus it can be interpreted that the data is normally distributed.

b. Multicollinearity Test

The multicollinearity test is used to determine whether in the regression model there is an inequality of variance from the residuals of one observation to another. Multicollinearity test results can be seen in Table 2.

Table 2. Multicollinearity Test

Variable	Collinearity Statistics	
	Tolerance	VIF
Current Ratio	0.738	1.356
Return On Investment	0.586	1.706
Asset Growth	0.739	1.354
Good Corporate Governance	0.654	1.529

From the table above, it can be seen that the data has met the requirements of the Multicollinearity Test because the tolerance value of each variable is ≥ 0.10 and the VIF value of each variable is ≤ 10 , which means that the variable does not occur multicollinearity.

c. Autocorrelation Test

Autocorrelation test is used to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). In this study, the autocorrelation test was tested using the Durbin Watson approach (DW test). The results of the Durbin Watson test can be seen in Table 3.

Table 3. Autocorrelation Test

D	dL	dU	4-dL	4-dU
1,987	1,3669	1,7684	2,6331	2,2316

Based on the DW table, the results of the DW numbers are located between dU and 4-dU mean $1.7684 < 1.987 < 2.2316$. Thus the regression model in this study does not have autocorrelation.

d. Heteroscedasticity Test

Heteroscedasticity test is used to determine whether in the regression model there is an inequality of variants from the residuals of one observation to another. Heteroscedasticity test can be seen in Figure 2.

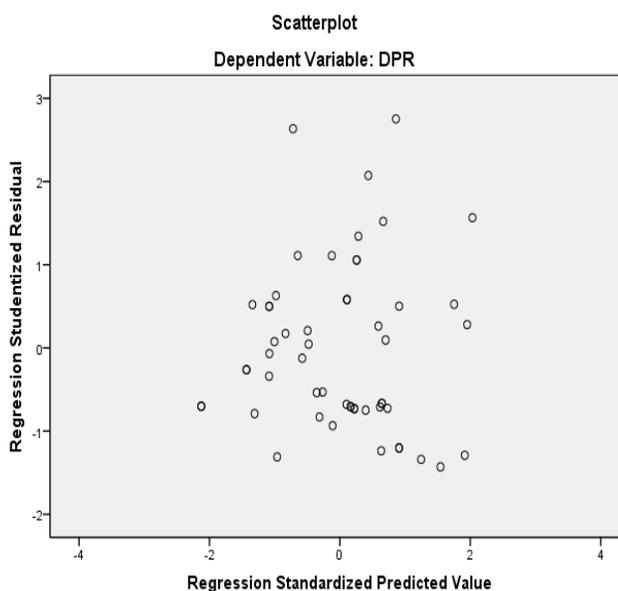


Figure 2. Heteroscedasticity Test

In the figure above, it can be seen that the dots spread out randomly and are evenly distributed both above and below 0 on the Y axis, and there is no certain pattern, thus it can be concluded that there is no heteroscedasticity.

2) Multiple Linear Regression Test

The results of multiple linear regression analysis in this study can be seen in table 4.

Table 4. Multiple Linear Regression Test

Model	Unstandardized Coefficients
	B
(Constant)	0.074
CR	0.504
ROI	0.875
AG	4.671
GCG	1.128

Based on the table, the linear regression equation is obtained as follows:

$$Y = 0.074 + 0.504X_1 + 0.875X_2 - 4.671X_3 + 1.128X_4 + e$$

3) Coefficient of Determination Test R^2

The coefficient of determination test aims to determine how much the model's ability to explain the variation in the dependent variable. The results of the R^2 test in this study can be seen in table 5.

Table 5. Coefficient of Determination Test R^2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.684	0.435	0.372	0.6732064918890	1.987

The result of the coefficient of determination (R^2) showed the value of Adjusted R Square of 0.372 or 37.2%. This means that the projected dividend distribution rate with the DPR can be explained by the independent variables (CR, ROI, AG, and GCG) of 37.2% while the remaining 62.8% is influenced by other variables not examined.

4) F Test (Simultaneous)

Simultaneous test or F test is used to determine the effect of the independent variables CR, ROI, AG, and GCG simultaneously (simultaneously) on the dependent variable DPR. The results of the f test in this study can be seen in table 6.

Table 6. F test (Simultaneous)

F	Sig	Remarks
3.754	0.010	Significant

Simultaneous test results show that Fcount (3.754) and sig. (0.010) when compared with Ftable (2.56), mean Fcount > Ftable and sig. < α 0.05, thus can be concluded that the model in this study is significant.

5) T Test (Partially)

The partial hypothesis test was conducted to determine the effect of each independent variable CR, ROI, AG, and GCG partially on the dependent variable DPR. The results of the t test in this study can be seen in Table 7.

Table 7. T Test (Partially)

Model	B	t	Sig.	Remarks
(Constant)	0.074	0.158	0.875	
CR	0.504	0.433	0.667	No effect
ROI	0.875	2.698	0.029	Significant
AG	-4.671	-2.766	0.008	Significant
GCG	1.128	2.523	0.033	Significant

The partial test results on the CR variable (X1), the regression coefficient of 0.504 (positive), with tcount (0.433) and significance (0.667) when compared to ttable (1.676), mean tcount < ttable and significance > α (0.05) with assuming other variables are considered constant, it can be concluded that the Current Ratio has no effect on the Dividend Payout Ratio.

The partial test results on the ROI variable (X2), the regression coefficient of 0.875 (positive), with t (2.698) and significance (0.029) when compared with t table (1.676), mean tcount > ttable and significance < (0.05) with assuming other variables are considered constant, it can be concluded that the Return On Investment has a significant positive effect on the Dividend Payout Ratio.

The results of the partial test on the variable AG (X3), the regression coefficient of -4.671 (negative), with tcount (-2.766) and significance (0.008) when compared with ttable (-1.676), mean -tcount < -ttable and significance < α (0.05) assuming other variables are considered constant, it can be concluded that Asset Growth has a significant negative effect on the Dividend Payout Ratio.

The partial test results on the GCG variable (X4), the regression coefficient of 1.128 (positive), with t count (2.523) and significance (, 033) when compared with t table (1.676), mean tcount > ttable and significance < (0.05) assuming other variables are considered constant, it can be concluded that Good Corporate Governance has a significant positive effect on the Dividend Payout Ratio.

5. Conclusion

This study aims to prove the influence of Current Ratio, Return On Investment, Asset Growth, and Good Corporate Governance on Dividend Payout Ratio of consumer goods companies in Southeast Asia 2017-2019, based on the results of multiple linear regression tests, the following conclusions can be drawn:

The partial test results show that Current Ratio (X1) has no effect on the Dividend Payout Ratio (Y). This means that the high Current Ratio will not be followed by an increase in the Dividend Payout Ratio in consumer goods companies.

The partial test results show that the Return On Investment (X2) has a significant positive effect on the Dividend Payout Ratio (Y). This means that a high Return On Investment will be followed by an increase in the Dividend Payout Ratio for consumer goods companies.

The partial test results show that Asset Growth (X3) has a significant negative effect on the Dividend Payout Ratio (Y). This means that the high Asset Growth will not be followed by an increase in the Dividend Payout Ratio in consumer goods companies.

The partial test results show that Good Corporate Governance (X3) has a significant positive effect on the Dividend Payout Ratio (Y). This means that high Good Corporate Governance will be followed by an increase in the Dividend Payout Ratio in consumer goods companies.

Suggestion that can be proposed in this study are: Dividends distributed by growing companies are a signal to investors that the company can still generate profits in the face of uncertain global economic conditions. The company fully understands the character of their investors thus management will pay more attention to aspects that will increase the company's value, such as the stock price. For investors who want a stable dividend distribution, it is advisable to invest in big companies that have large assets, because this will affect the distribution of dividends.

This research was conducted by looking at the Dividends Payout Ratio as a proxy for dividend policy for consumer goods companies. The results found that of the three variables only had significant effect. Further research is expected to be able to do more specific searches that have not been able to be explained in this study because of the limitations of the study. Future studies can examine the condition of the dividend distribution ratio when there is a stock repurchase and stock split with the addition of a more recent research period.

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Biographies

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