ROA's Mediating DER Influence on Dividend Policies on Food, Beverage Companies Listed on the Indonesia Stock Exchange

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Abstract

Dividend policy is the main topic of discussion debated by company owners and investors. The purpose of this study is to analyze and assess the return on assets on the debt-to-equity ratio to the enactment of dividends. The study used quantitative data where there were 10 samples exposed on the Indonesia Stock Exchange in the period 2019 to 2021. Data is processed using smart pls software version 3.0. The results of this analysis and testing are: (1) Return on Assets has no significant effect on dividend policy with a value of 0.978 (<1.96), (2) Return on Assets has no significant effect on debt-to-equity ratio, with a value of 0.588 (<1.96), (3) Debit to Equity Ratio also does not have a significant effect on dividend policy.

Keywords: *Return on Assets; Debt to Equity Ratio; Dividend Policy*

I. Introduction

The Indonesia Stock Exchange (IDX) is a company established in Jakarta that has a business license from the OJK (financial services authority) where businesses must prepare and finance all business of all financial-related activities in the country, to facilitate between bidders and buyers of securities, the Indonesia Capital Market has been regulated as stipulated in article 1 paragraph 4 of Law No. 1995. Since long ago in finance dividend policy became the main topic of discussion and was emphasized by company owners and investors. There have been many large and well-known researchers on the studies of dividend policy such as Bhattacharya (1979; DeAngelo et al (1996); Al-malkawi (2007); Al-Najjar and Hussainey (2009); Litner (1956); Miller and Modigliani (1961).

The manufacturing industry discusses the industry has the largest domain and is listed on the Indonesia stock exchange. There were 170 in the manufacturing industry this data was last July 4, 2021, which was grouped into different industry subgroups, including the goods and consumer industries, basic industries and chemicals. In the Indonesian economy, the consumer goods industry plays a very important role in the food and beverage sector. This industry also plays a role in absorbing labour which of course can open jobs and increase income in this country, namely Indonesia. Industries engaged in the

production of products and traded for profit are included in this industry, especially in the food and noodle sector. Managing the sector to get a large return must certainly be able to manage the whole properly and correctly. In addition, the high value of the business every year must also be increased so that shareholders can grow.

The main decision in financing engages investors time paying and taking the company's investment into a step-in dividend policy. Each company runs in a particular industry along with various dividend payment models. Dividend policy that becomes part of the company's finances. The demand for the company's shares must take a certain limit, namely the dividend policy as stipulated by the company. Dividend policy affects fund flow, financial structure, corporate liquidity and investor behaviour. One of the important decisions is the dividend policy about efforts to maximize the company's image. The importance of dividend policy should be known by an investor. Because investor's view dividends that are not only a source of income. Evaluating a company from an investment perspective is also one way.

The dividend is the division of profits from the original company from the returns obtained by the company. Dividends are distributed from the completion of receiving the approval of shareholders at the General Meeting of Shareholders. If an investor receives a dividend, the requirement to receive it must hold the shares or have at least 100 shares, so that it is recognized as a shareholder entitled to a dividend or return from the company's compensation. The decision to give the company dividends is a good reputation to improve the company's image. This can raise the company's share price if the dividend split is to be announced. Stock dividends or called dividend distributions are done in the form of shares, if the company distributes dividends of shares, then it is said that it will not affect the value of account balance or cash balance but affect the number of shares (lots) increases.

Return on Assets a reputable company is optimizing the goal to be achieved to achieve the expected rate of profit or return on investment is the ratio used to seek profits from the calculated company over some time (Cashmere, 2013:194). If Return on Assets decreases, because net income decreases after-tax, then it will then decrease assets in a company. A lower value to this ratio indicates lower profits for the company and certainly affects the company. On the other hand, the higher this ratio, the more a company can use its equity capital for maximum profit. Hanafi (2000:83) says Return On Assets is a cost adjustment ratio to mark a company's assets and then becomes a benchmark to measure the ability to make a profit using all existing assets in the company.

Debt to Equity Ratio with this company can make the owners/shares successful is by using by maximizing the stock price to make capital gains. The ratio of liabilities to capital adequacy is the ratio that is the result of the company's total assets (Cashmere, 2014: 201). With a high leverage ratio, a company that relies heavily on third parties and creditors is difficult to turn a profit because it has to pay all its debts by all available means. Increasing the financial risk of low-level corporate capital indicates that the company can pay off its entire debt, reduce the company's risk and increase the value of the company.

II. Research Methods

In this study the method used is data that comes from statistical data, namely secondary data, every issuer there is a report from a company listed on the Indonesia Stock Exchange every year. In particular, 10 food and beverage industry manufacturers are listed on the Indonesia Stock Exchange and have also published related financial statements that have been audited. A total of 26 companies as the main population on assessments from companies in the food and beverage manufacturing industry have been listed on the Indonesia Stock Exchange. While the use of samples in this study is purposive sampling, wherein this technique the sample will be determined alone based on the considerations that have been adjusted in this study. Where the sample requirements that have been presented themselves in the research considerations, are: (1) in the food and beverage industry and certainly listed on the

Indonesia Stock Exchange for the period 2019-2021. (2) Companies in the food and beverage industry sector must have published complete financial statements on the Indonesia Stock Exchange from 2019-2021. (3) food and beverage sector industrial companies and have financial statements of users of rupiah currency. (4) on the company's profit, of course, the company does not decrease or lose in obtaining profits on the company.

Data analysis techniques use quantitative analysis techniques, techniques used at the time of data collection using documentation techniques. It uses quantitative data sourced from secondary data. The process of retrieving data derived from the official website of the Indonesia Stock Exchange (IDX) publication is www.idx.co.id. Furthermore, to find out the relationship between exogenous variables and endogenous variables, analysis is carried out to find out the relationship between exogenous and endogenous variables, it can be seen from the minimum probability value of 5%. If it is less than 5% then there can be a significant influence and vice versa. The series in this test includes validity tests, reliability tests, data analysis using Smart PLS v3.0.
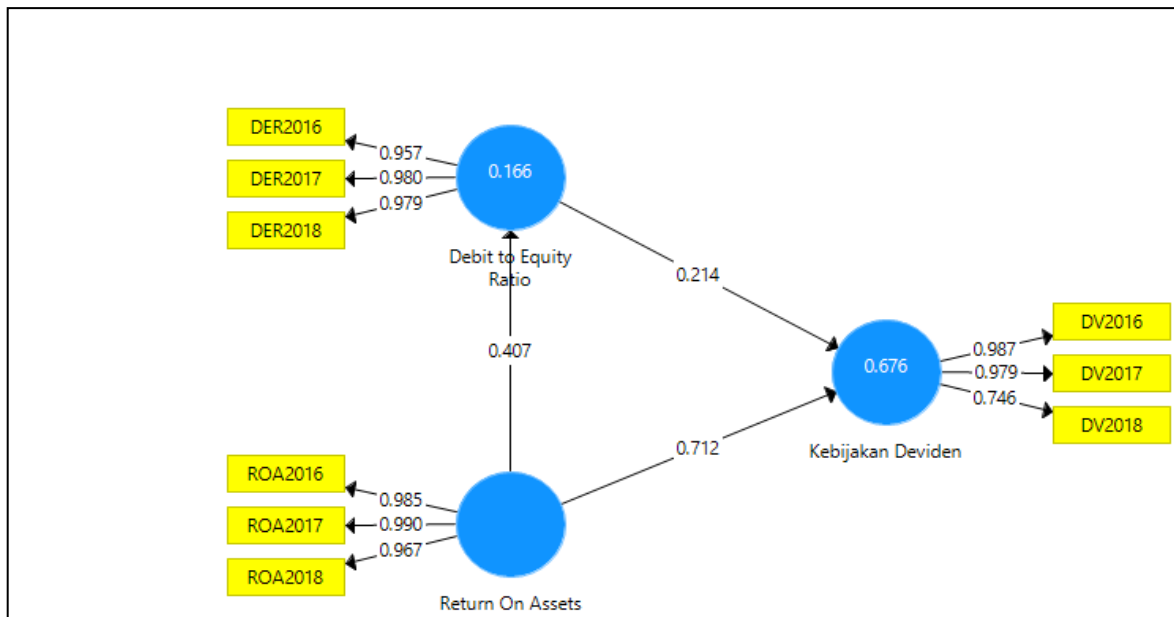
III. Hasil Dan Pembahasan

Figure 1: Model Penelitian

Figure 1 explains that the DER variable has 3 indicators with DER2016 0.957; DER2017 0.980: DER2018 0.979. The DER variable shows the valid values all. Next, the ROA variable has 3 indicators where ROA2016 is 0.985; ROA2017 0.990: ROA 2018 0.985 on the ROA variable also shows a valid value, then from the Dividend Policy variable which also has 3 indicators namely DV2016 0.987; DV2017 0.979; and DV2018 0.746 of all indicator variables show a very valid value that is above 0.7 means that all variables can be used as material for this research and in accordance with standards.

Validity Test

Validity testing for each reflective indicator can be done by looking at the interrelationship between the indicator score and the score of each variable.

Table 1. Validity of Convergence

	Debit to Equity	Dividend Policy	Return On Assets
DER2016	0,957		
DER2017	0,980		
DER2018	0,979		
DV2016		0,987	
DV2017		0,979	
DV2018		0,746	
ROA2016			0,985
ROA2017			0,990
ROA2018			0,967

Source: Researchers' processed data

The table above can be noted that the indicators on the variables used in this study, already have a link or score of indicators and variables. From these results, it can be explained that each indicator has a valid value so that researchers can proceed to the next stage.

Reliability Test

Reliability tests are used to further ensure that each indicator is consistent and reliable. In table 2, note on the variables each used in this study has consistency even after repeated measurements, this shows that each variable and indicator is consistent. From this, the researchers decided after seeing this value composite reliability that has a value greater than Cronbach alpha after the test, and the value Cronbach alpha also has a value above has been set that should not be below 0.6. The value of both of these reliability test results has reached the standard value and even passed it.

Table 2. Reliability test results

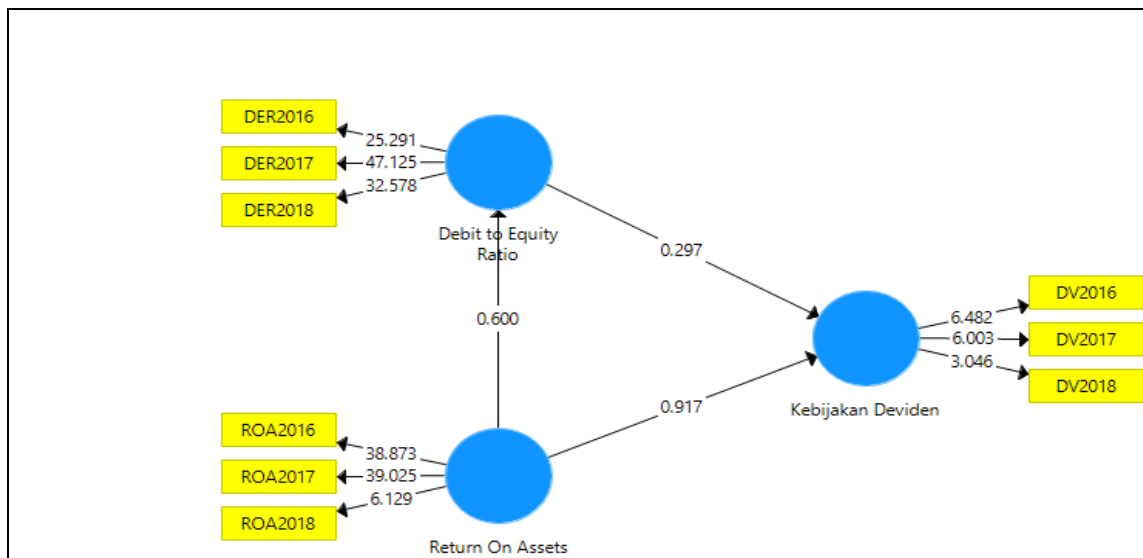| Variable	Composite Reliability	Cronbach Alpha	Notes
Debit to Equity	0,981	0,971	Reliable
Dividend Policy	0,935	0,902	Reliable
Return On Assets	0987	0,980	Reliable

Source: Researchers' processed data

Figure 2. Bootstraping results

In this study, researchers tested each hypothesis in two ways by looking directly at the relationship between variables between exogenous to endogenous variables to look at indirect influences to see how much influence this research had on the relationship between exogenous and endogenous variables where there was mediation between exogenous and endogenous variables. From the previous 2 images can be seen and taken values that are then made by researchers to answer from this direct relationship.

Direct Effect Test

A direct influence test is to find out how much direct influence there is between independent variables and dependent variables. To see if there is a direct effect between variables, the results must be compared to the standard value used by the researcher, and the value t >1.96, the hypothesis accepted, and vice versa if the value t <1.96. Decisions made are rejected or hypotheses are irrelevant. Below Return On Assets has no significant effect on dividend policy with a value of 0.978 (<1.96), the next Return On Assets does not have a significant effect on the Debit to Equity Ratio which is with a value of 0.588 (<1.96), then the Debt To Equity Ratio also does not have a significant effect on dividend policy. From all the results of the value, t can be seen that the relationship of influence directly from each variable used is insignificant.

Table 3. Direct effect results

Hypothesis	Variable		Direct Effect	Indirect Effect	Total Effect	t-Values (>1.96)	Notes
	Exogenous	Endogenous					
1	ROA	Dividend Policy	0.712	-	0.712	0,978	Insignificant
2	ROA	Debit to equity Ratio	0.407	-	0.407	0.588	Insignificant
3	DER	Dividend Policy	0.214	-	0.214	0.335	Insignificant

Source: Researchers' processed data

IV. *Conclusion*

All of these research series have been completed and also research aims to ensure the influence of Return on Assets on Debt-to-Equity Ratio on Deviden policy in a food and beverage sector that is certainly listed on the Indonesia Stock Exchange from 2019 to 2021. From this 3-year analysis using a sample conducted by this study 10 samples of company issuers. From the research and analysis that researchers do can be explained that 1). Return on Assets has no significant effect on dividend policy. 2). Return on Assets has no significant effect on debt-to-equity ratio. 3). Debt to Equity Ratio also has no significant effect on dividend policy. So that investors do not need to worry too much about the influence or not of dividend policies on the company.

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