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Determinant Dividend Payout Ratio Long-term Analysis of the Four Book Banks for the Period 2008 – 2017

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Abstract:- This study is to analyze how the influence of return on asset, return on equity, net interest margin, loan to deposit ratio. and non-performing banking loans listed in book four 2008-2017. Sampling in this study uses a quantitative approach. samples were obtained and used were 4 with an observation period of 10 years. The data used in this study is secondary data using panel data analysis methods. The results showed that the variable return on assets significantly influence the positive direction of the dividend payout ratio. variable return on equity has a significant effect but with a negative direction from the dividend payout ratio. Net interest margin variable has a significant effect but with a negative direction from the dividend payout ratio. Loan to deposit ratio variable significantly influences the positive direction of the dividend payout ratio. Non-performing loan variables have a significant effect but with a negative direction from the dividend payout ratio.

***Keywords**:- ROA, ROE, NIM, LDR, NPL, DPR.*

I. INTRODUCTION

Investors who want to invest their capital in the banking sub-sector by hoping the dividend will certainly consider several factors, one of them by looking at the performance of the bank. Since 2012, Bank Indonesia has issued regulations that classify commercial banks into specific categories which are part of the structuring of the Indonesian banking structure as well as in order to improve competitiveness, intermediation and governance and reduce risks to the banks concerned.

The category of commercial banks is divided into 4 categories including commercial banks business groups 1 (book 1), commercial bank group business 2 (book 2), commercial bank group business 3 (book 3), commercial bank group 4 (book 4). This study uses the largest group of banks with core capital, book 4. With core capital ownership above 30 trillion, book bank 4 has the capacity to absorb greater potential risks compared to other bank groups and is also allowed to have a wider service network both at home and abroad. For investors, access is what might attract interest because the ease of banking services is one of the keys to feeling safe to invest.

The greater the bank's capital, the more business opportunities that can be worked on. In addition to being considered healthier and more competitive to face competition with major banks in the ASEAN region, Book 4 is also believed to be able to deal with emerging risks associated with overseas business expansion. with the advantages of book bank 4 which of course has better endurance in dealing with the Indonesian and global economy. It can be seen that the fluctuating dividend is also unavoidable and even tends to decrease. with the above considerations, this research is based on book bank 4.

Figure 1, illustrates that the four book 4 banks that routinely distribute dividends also experience a fluctuating trend at the end of each period. From the table, there is a noticeable fluctuation in the stock return trend since 2009 and the sharpest decline occurred in 2015, where the DPR reached 23%. and until 2017, the DPR experienced an increase to 38% but not as high as the 2008 DPR which reached 46%.

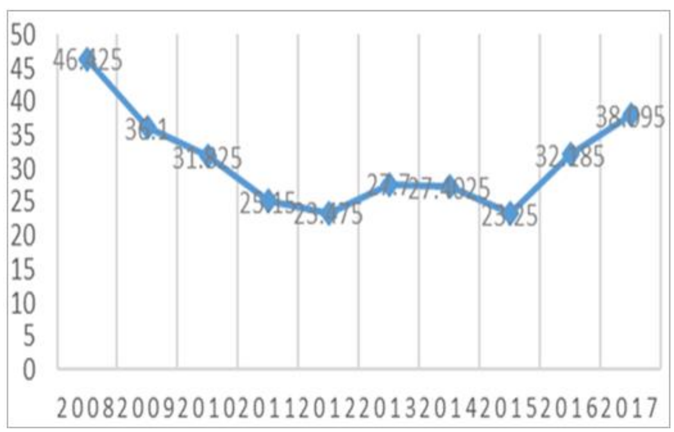

Fig. 1: - Average development of bank book 4 dividend payout ratio 4 in 2007 – 2017
Source: Processed by the writer (2018)

Information that can help investors' decisions to invest in banks is the bank's financial ratios obtained from financial statements, bank financial statements show the overall financial condition of the bank (Kasmir, 2003). While the financial ratio is a comparison of numbers in the financial statements by making comparisons between its components so that it becomes a number in one period or several periods. (Kasmir, 2008).

Profitability ratio that are often used are return on assets and return on equity which indicate the extent of efficiency in managing assets and bank management in generating profits. NIM shows how the ability of banks to manage earning assets to generate net income from interest income subtracted from interest expense. NIM itself aims to evaluate banks in managing various risks that may occur in interest rates. This means that when interest rates change, interest income and fees will also change.

Liquidity ratio in this study is a loan to deposit ratio that measures how far the bank's ability to refinance withdrawal of funds made by depositors by relying on loans provided or in other words the ability of banks to repay withdrawal funds that have been carried out by depositors by relying on the credit borne by the bank.

Previous studies related to factors affecting dividend distribution are sustainable and Sulistyawati (2017) states that ROA is significant for the DPR. Chun Lin, Thaker, Asmy, and Thas Thaker (2018) states that ROA and ROE are not significant to the DPR.Ali Khan and Ahmad (2017) said ROE was significant towards the DPR. Siddiqua, Haque, Chowburry (2016) stated that the NIM was significant towards the DPR. Rasyid (2018) states that the NIM is not significant to the DPR. Ahmed (2015) states that LDR is significant towards the DPR.Murni (2016) Pure stated that LDR was not significant to the DPR. Fauziah and Iskandar (2015) stated that NPL was significant towards the DPR. Rasyid (2008) states that the NPL is not significant to the DPR

Based on the trend of decreasing dividend payout ratio, the fluctuation of financial ratios at book bank four during the period 2008 - 2017, and the results of various previous studies, therefore the authors raise the research topic as follows: "DETERMINANT DIVIDEND PAYOUT RATIO: LONG-TERM ANALYSIS, IN THE FOUR BOOK BANK OF 2008 - 2017 PERIOD "

II. THEORITACAL REVIEW

A. Dividend Policy

Dividends represent the value of net income in the company after tax deducted by retained earnings as a company reserve (Ang, 1997). According to Sartono (2001) dividend policy is a decision whether the company will share with shareholders as a dividend or will be held in the form of retained earnings to finance investment in the future. If the company chooses to distribute profits as dividends, it will reduce retained earnings and reduce the total source of internal financing funds conversely, if the company chooses to hold the profits obtained, the ability to form internal funds will be even greater. The following are various theories that emerged along with research on dividends (Frankfurter, 2003):

1) Signaling Theory

Signaling theory was first developed by Akerlof (1970) and subsequently developed by Spence (1973) with signal equilibrium theory, which depends on which party a good company can distinguish itself from a bad company by sending credible signals which can be trusted related to the quality of the capital market. a signal is considered reliable only if the company with bad categories cannot replicate the good company category.

2) Dividend relevance theory (Gordon's Model)

According to Gordon (1993) dividend policy is relevant to the value of the company. In this case, investors will prefer dividend payments to be received now than capital gains that will be received in the future. according to this theory, investors will feel safer to get dividends now than future capital gains that are full of risk and uncertainty.

3) Dividend Irrelevance Theory

This theory is the opinion of Modigliani and Miller (M-M 1961) which states that the value of a company is not determined by the size of the Dividend Payout Ratio (DPR) but is determined by net income before tax (EBIT) and business risk. Thus the dividend policy is actually not relevant to be questioned.

4) Tax Preference Theory

According to this theory, individuals will choose whether to accept the company's income distribution as dividends or capital gains. If the tax liability on the distribution of capital gains from capital gains is lower than the tax on dividends, then investors will prefer capital gains.

5) Clientele Effect

Stated that different groups of shareholders will have different preferences on the company's dividend policy. investor groups that need income now prefer a high dividend payout ratio. conversely, groups of investors who don't really need the money right now are more likely if the company holds back most of the company's net income.

B. Financial Ratio

According to Ross, Wasterfield and Jordan (2009), financial ratios are relationships calculated from a company's financial information and are used for comparison purposes. Financial ratios are used in quantitative analysis to evaluate various aspects of a company's operating and financial performance based on information contained in the company's financial statements such as a balance sheet, Cash flow statement and income statement This financial ratio can be used by company management, creditors or lenders as well as investors and shareholders.

C. Dividend Payout Ratio

According to Ang (1997), Dividend payout ratio is the ratio between dividend per share and earnings per share. thus, the higher the DPR is set by a company, the greater the

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amount of corporate profits to be paid as dividends to shareholders.

D. Return on Asset

According to a circular letter of Bank Indonesia No. 6/23/DPNP dated May 31, 2004 states ROA as a ratio that assesses how the rate of return of assets owned.

E. Return on Equity

According to Riyadi (2006) Return on Equity (ROE) is a comparison between net income and capital (core capital) of a company.

F. Net interest Margin

According to riyadi (2006) Net Interest Margin (NIM) is a comparison between the percentage of interest yields to total assets or to total earning assets.

G. Loan to Deposit Ratio

According to Riyadi (2006) Loan to deposit (LDR) comparison between total loans granted with total third party funds (DPK) that can be collected by banks.

H. Non Performing Loan

According to Riyadi (2006) states Non-Performing Loans (NPL) is one of the measurements of the bank's business risk ratio that shows the magnitude of the risk of problem loans that exist in a bank.

I. Theoritical Framework

The theoretical framework in this study can be described as follows:

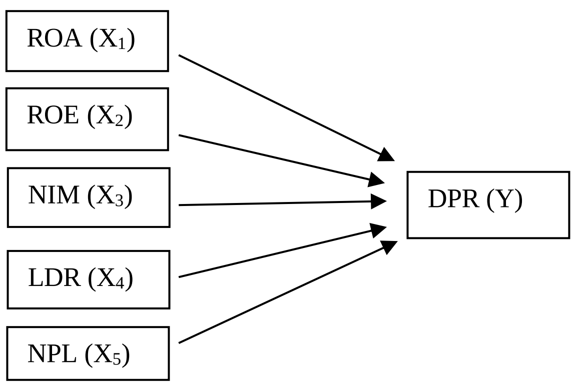

Fig. 2: - Theoritical Framework
Source: Theoretical Review

J. Hypothesis

Return on Assets shows the company's strength in generating profits. The greater the ROA, the better the productivity of assets to get a net profit. H1: ROA is suspected to affect the DPR.

A large return on equity shows the level of efficiency and effectiveness of investment, operating and funding performance of the company, the level of efficiency and effectiveness. H2: ROE is suspected to affect the DPR.

Net Interest Margin shows the interest income obtained from the comparison of interest provided (example: deposits) with interest income from lending (interest on loans). H3: NIM is suspected to affect the DPR.

Loan to Deposit Ratio shows the ability of banks to return funds withdrawn by customers by relying on funds channeled to the public. If the LDR gets higher the bank liquidity is low. H4: LDR is suspected to affect the DPR.

Non Performing Loan indicate how much problem loans and one ratio to as If the NPL increases, the amount of capital owned by the bank will decrease. H5: NPL is suspected to affect the DPR.

III. METHODELOGY

In this study the population used is a book four banking company with a time span of 2008 - 2017. determination of sample returns using a purposive sampling method. namely the selection of sampling samples only four book banking companies. there are 5 samples in this study but 4 companies were taken because 1 and 5 companies in book four contain outlier data.

Code	Company
BMRI	PT. Bank Mandiri, Tbk
BBNI	PT. Bank Negara Indonesia, Tbk
BBRI	PT. Bank Rakyat Indonesia, Tbk
BBCA	PT. Bank Central Asia, Tbk

Table 1: Research Sample
Source: Processed by the writer (2018)

Data collection methods for the purposes of this study were carried out by the documentation method documentation carried out by collecting all secondary data published by IDX statistics about banking companies listed on the Indonesia Stock Exchange for the period 2008 - 2017.

This research uses quantitative analysis techniques with statistics namely panel data regression analysis with the help of e-reviews program version 9.5. The equation used for analysis is as follows:

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it}$$

Information:
Yit. = Response variables in the i-th observation unit and t-time
Xit. = Predictor variables in the first observation unit and t-time
a. = Intercept regression model
B. = Slope coefficient or direction coefficient
Eit. = Galat or component error in the i-th observation unit and t-time

IV. RESULTS AND DISCUSSION

Panel data linear regression analysis in this study uses the Common Effects method for the diagram model. The selection of the common effects method as a panel data analysis method in this study was previously tested through the chow test, the Hausman test, and the LM test first so that finally the common effects method is the most appropriate for the diagram model. The following results are estimated in the linear regression model in table 2 bellow.

Information	Coefficient	t-statistics	Probability
C	96.4363	11.4221	0.0000
ROA	7.9333	2.6020	0.0136
ROE	-1.0778	-4.2304	0.0002
NIM	-4.8743	-2.8698	0.0070
LDR	-0.6145	-4.4468	0.0001
NPL	13.3237	5.0255	0.0000
R-*squared*	0.6906		
Adjusted R-*squared*	0.6451		
F-statistic	15.1799		
Prob (F-statistic)	0.0000		

Table 2: - Common Effect Model
Source: Eviews 9

By using the common effect model, the panel data regression equation is formed as follows:

DPR = 96,4363 + 7,9333ROA – 1,0778ROE - 4,8743NIM - 0,6145LDR + 13,3237NPL

The above equation explains that:

1) Constanta = 96,4363 The value on the positive constant shows the positive effect of the independent variable (ROA, ROE, NIM, LDR and NPL). If the value of each independent variable is 0 (constant) then the DPR (Y) has increased by 96.4363.
2) ROA (X_1) = 7,9333 if there is an increase in the ROA variable by one unit, then the DPR variable (Y) increases by 7.9333 assuming the variables X2, X3, X4, and X5 are constant.
3) ROE (X_2) = - 1.0778 , If there is an increase in the ROE variable by one unit, then the DPR variable (Y) decreases by 0.1262 with insurance variables X1, X3, X4 and X5 constant.
4) NIM (X_3) = - 48743, If there is an increase in the NIM variable by one unit, then the DPR variable (Y) decreases by -4.8743 assuming the variables X1, X2, X4, and X5 are constant.
5) LDR (X_4) = -0.6145, if there is an increase in the variable NPM by one unit, then the variable DPR (Y) decreases by -0.6145 assuming the variables X1, X2, X4 and X5 are constant.
6) NPL (X_5) = 13.3237, if there is an increase in the NPL variable by one unit, then the variable DPR (Y) increases by 13.3237 assuming the variables X1, X2, X3 and X4 are constant.

A. Simultaneous Test

Simultaneous based on table 2 above, it is known that for DPR (Y) as the dependent variable it has a value of F = 15.17991 and a value of prob = 0.0000 while a table F value with df = nk-1 = 34 and k = 5 shows a value of F = 2.49, it can be seen the value of F statistic = 15.17991 > value of f table = 2.49. Thus H_0 is rejected, this means that the independent variables together have a significant effect on the dependent variable significance test (F test).

B. Partial Test

The ROA probability of 0.0136 is smaller than 0.05 so that this variable is in the rejection area of H0 which means that ROA affects the dividend payout ratio of four book banks in 2008-2017.

ROE probability of 0.0002 is smaller than 0.05 so that this variable is in the rejection area of H0 which means that ROE affects the dividend payout ratio of 4 book banks in 2008 – 2017.

The NIM probability of 0.0070 is smaller than 0.05 so that this variable is in the rejection area of H0 which means that the NIM has an effect on the dividend payout ratio of four book banks for the years 2008 - 2017.

The LDR probability of 0.0001 is smaller than 0.05 so that this variable is in the rejection area of H0 which means that the LDR has an effect on the dividend payout ratio of four book banks in 2008-2017.

NPL probability of 0.0000 is smaller than 0.05 so that this variable is in the rejection area of H0 which means that the LDR has an effect on the dividend payout ratio of four book banks for the years 2008 - 2017.

V. CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that ROA, ROE, NIM, LDR, and NPL affect the DPR Bank Book 4 four period in 2008 – 2017.

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