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The Effect Of Firm Size, Capital Structure, Return On Equity, And Asset Growth On Dividend Policy In Processed Food And Beverage Companies Listed On The Idx

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Abstract

The purpose of this study is to determine the effect of firm size, capital structure, return on equity and asset growth that affect dividend policy, both partially and simultaneously. The study population was 43 beverage and processed food companies from 2019 to 2023. The sample taken was 13 firm with a purposive sampling technique. The analysis method used is multiple linear regression. The results show that only asset growth has a partial effect on dividend policy, while firm size, capital structure, and return on equity have no effect. However, simultaneously all of these factors affect dividend policy.

Keywords: Firm Size, Capital Structure, Return On Equity, Asset Growth, Dividend Policy

Introduction

Issuers, particularly those listed on the Indonesia Stock Exchange (IDX), face intense challenges in this era. Enhancing the welfare of owners and investors is the goal of both public and private companies. By increasing annual income, more dividends can be distributed, thereby achieving this objective.According to the bird-in-hand theory, dividends carry less

uncertainty than capital gains; therefore, shareholders prefer dividends. Dividend distribution requires an appropriate policy, namely, determining the amount of dividends and retained earnings. Companies often face difficulties in deciding whether to distribute dividends or retain earnings for investment in profitable projects.

To clarify the issue of dividend policy, it can be observed from the phenomenon of dividend policy issues in several processed food and beverage companies during the period 2019–2023

Table I.1 Dividend Policy Phenomenon in Processed Food and Beverage Companies (2019–2023)

Code	Year	Total Assets	Total Liabilities	Net Profit	Asset Growth	Cash Dividend
CEKA	2019	1,393,079,542,074	261,784,845,240	215,459,200,242	224,123,499,368	59,408,630,000
	2020	1,566,673,828,068	**305,958,833,204**	181,812,593,992	173,594,285,994	**59,416,540,000**
	2021	1,697,387,196,209	**310,020,233,374**	187,066,990,085	130,713,368,141	**59,415,620,000**
	2022	1,718,287,453,575	168,244,583,827	220,704,543,072	20,900,257,366	59,415,620,000
	2023	1,893,560,797,758	251,275,135,465	153,574,779,624	175,273,344,183	59,415,620,000
GOOD	2019	5,063,067,672,414	2,297,546,907,499	435,766,359,480	850,659,366,731	132,379,748,022
	2020	**6,570,969,641,033**	3,676,532,851,880	245,103,761,907	1,507,901,968,619	**213,786,027,325**

Code	Year	Total Assets	Total Liabilities	Net Profit	Asset Growth	Cash Dividend
	2021	**6,766,602,280,143**	3,735,944,249,731	492,637,672,186	195,632,639,110	**131,923,972,638**
	2022	7,327,371,934,290	3,975,927,432,106	521,714,035,585	560,769,654,147	221,508,548,952
	2023	7,427,707,902,688	3,518,496,516,469	601,467,293,291	100,335,968,398	266,912,280,210
MYOR	2019	19,037,918,806,473	9,137,978,611,155	2,039,404,206,764	1,446,212,379,839	648,402,292,025
	2020	19,777,500,514,550	8,506,032,464,592	2,098,168,514,645	739,581,708,077	670,760,991,750
	2021	19,917,653,265,528	8,557,621,869,393	**1,211,052,647,953**	**140,152,750,978**	1,162,652,385,700
	2022	22,276,160,695,411	9,441,466,604,896	**1,970,064,538,149**	**2,358,507,429,883**	469,532,694,225
	2023	23,870,404,962,472	8,588,315,775,736	3,244,872,091,221	1,594,244,267,061	782,554,490,375

The illustration of the phenomenon above shows that the increase in firm size, return on equity, and asset growth does not contribute to an improvement in dividend policy, while the decrease in capital structure also does not contribute to an improvement in dividend policy.

Firm size affects dividend policy because it is related to flexibility and the ability to obtain funds. Large firms tend to distribute higher dividends compared to small firms. Azizah et al. (2020) showed the effect of firm size, whereas Mnune & Purbawangsa (2019) argued otherwise.

Capital structure can affect dividend policy. The amount of debt affects the risk of default. A high level of debt increases the risk of bankruptcy, thereby reducing dividend expectations. The study by Hardianti & Utiyati (2020) showed that capital structure affects dividend policy, whereas Muhtarom (2021) showed the opposite.

Return on Equity (ROE) affects dividend policy. This ratio reflects the issuer's effort to generate profit through equity. An increase in ROE indicates better performance of the issuer and raises dividend expectations. The study by Wahyuliza & Fahyani (2019) showed that ROE has a positive effect, while the study by Bawamenewi & Afriyeni (2019) showed a negative effect on dividend policy.

Asset growth can affect dividend policy. When assets grow rapidly, companies tend to retain more earnings to finance them rather than distribute them as dividends. The study by Hardi & Andestiana (2019) showed a positive effect, while the study by Putri & Hendrani (2024) showed a negative effect.

Based on the explanation of previous studies, conflicting results were found, encouraging the author to conduct further research on dividend policy. This study is a development of several previous studies Azizah et al. (2020), Mnune & Purbawangsa (2019), Hardianti & Utiyati (2020), Muhtarom (2019), Wahyuliza & Fahyani (2019), Bawamenewi & Afriyeni (2019), Hardi & Andestiana (2019) and Putri & Hendrani (2024), which showed inconsistent results. This study attempts to identify variables that affect dividend policy. The researcher used independent variables such as business size, capital structure, return on equity, asset growth, and the object as well as various time intervals. Multiple regression analysis was performed using SPSS.

Literature Review

Theoretical Perspective on the Effect of Firm Size on Dividend Policy

Azizah et al. (2020) stated that dividend payments to investors increase when issuers possess more assets. Conversely, if a company has fewer assets, the dividends will also be lower.

Agustino and Dewi (2019) stated that large issuers can easily access the capital market, which helps them increase dividend payments. Small companies experience difficulty in gaining such access, thus limiting their ability to obtain capital and loans.

Sudiartana and Yudantara (2020) explained that large companies tend to provide higher dividends, and good financial stability indicates the ability to pay dividends.

Theoretical Perspective on the Effect of Capital Structure on Dividend Policy

Hardianti and Utiyati (2020) stated that an increase in debt in a business will affect the company's net profit, which includes the dividends received. This causes investors to be cautious when making investments.

Muhtarom (2021) explained that debt can reduce the tax burden, but a high debt ratio can decrease liquidity and affect dividend payments.

Uttari and Yadnya (2018) added that companies tend to prioritize debt repayment over dividends.

Theoretical Perspective on the Effect of Return on Equity on Dividend Policy

According to Wahyuliza and Fahyani (2019), profit after paying interest and taxes is the income that can be distributed to investors. The dividend payout ratio is influenced by dividends calculated from the company’s net profit. If the company’s ROE increases rapidly, the company is more likely to retain its earnings rather than distribute them as dividends.

Azizah et al. (2020) stated that companies generating profits tend to distribute dividends. The amount of profit affects the amount of dividends paid; more profit means more dividends, and vice versa.

Nurfalah et al. (2023) stated that profitability can serve as a signal for business actors to invest. A company's ability to pay dividends depends on its income; therefore, high profitability is necessary to pay dividends.

Theoretical Perspective on the Effect of Asset Growth on Dividend Policy

Hardi and Andestiana (2019) explained that the funds required to support company growth increase in line with the growth rate, which means that the dividends paid become smaller.

According to Putri and Hendrani (2024), if asset growth increases, the likelihood of the company distributing dividends decreases because the cost of maintaining assets also increases.

Santikah and Syahzuni (2023) argued that an increase in asset growth will reduce the dividends that can be distributed, because the company requires more funds for business expansion, resulting in smaller dividends.

Research Methods

I. Population and Sample

The object of this survey consisted of 43 issuers in the processed food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX), whose financial reports could be accessed through www.idx.co.id or the respective company websites. This survey used a purposive sampling technique.

Table II.1

Sample Selection

Description	Number
Companies listed on the Indonesia Stock Exchange during the 2019–2023 period	43
Companies that did not regularly disclose financial statements during the 2019–2023 period	(9)
Companies that did not distribute dividends consecutively throughout the 2019–2023 period	(21)
Number of companies selected as research samples	13
Total observations over five years (13 companies × 5 years)	65

II. Data Collection Technique

This survey reviewed documents by collecting data from the financial information of issuers available on the IDX website, www.idx.co. id. In addition, the researcher conducted documentation research by reading and examining relevant literature.

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III. Type and Source of Data

The type and source of data in this study used quantitative data, which refers to data in the form of numbers or numerical values. This data was obtained from secondary sources through intermediary media such as the Indonesia Stock Exchange website, www. idx.co. id and the official websites of the companies to be studied.

IV. Data Analysis Technique

Classical Assumption Test

This test functions to observe the normal distribution of residuals in the regression model. The multicollinearity test examines the correlation among independent variables. The autocorrelation test assesses the relationship of errors between periods. The heteroscedasticity test observes the variance of residuals across observations.

Research Data Analysis Method

This method is multiple linear regression with the model **Y = a + b1X1 - b2X2 + b3X3 + b4X4 + e. Y** represents dividend policy, while X1 to X4 represent various factors such as firm size and capital structure. The coefficient of determination assesses how much the independent variables explain the variance of the dependent variable. The F-test and t-test are used to examine the simultaneous and partial effects, with the criteria for hypothesis acceptance or rejection based on the comparison between the calculated F-value and t-values and their corresponding critical values at a significance level of $\alpha = 0.05$.

Research Results

1. Descriptive Statistics

This study used a research sample of 65 company data points from 13 companies over the 2019–2023 period. The results of the descriptive statistical analysis are as follows:

Table III.1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Firm Size	65	27.3747	32.8599	29.486914	1.4990770
Capital Structure	65	.1085	2.6450	.906531	.5637459
Return on Equity	65	.0498	1.0524	.193648	.1771532
Asset Growth	65	-.1539	7.8411	.208300	.9899823
Dividend Policy	65	.0018	2.5247	.536309	.4517166
Valid N (listwise)	65				

Asset growth is low, but the values of firm size, capital structure, return on equity, and dividend policy are all higher than the standard deviation.

2. Classical Assumption Test

After conducting this test, multiple linear regression analysis was then performed.

a. Normality Test

The normality test was conducted using several methods, as follows**:**

Table III.2

Normality Test (K-S) Before Outlier

		Unstandardized Residual
N		65
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.40995481
Most Extreme Differences	Absolute	.125
	Positive	.125
	Negative	-.086
Test Statistic		.125
Asymp. Sig. (2-tailed)[c]		.013

The table above indicates that the data are not normally distributed because the Sig. value is 0.013 < 0.05. This result can also be observed in the following graphical

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analysis:

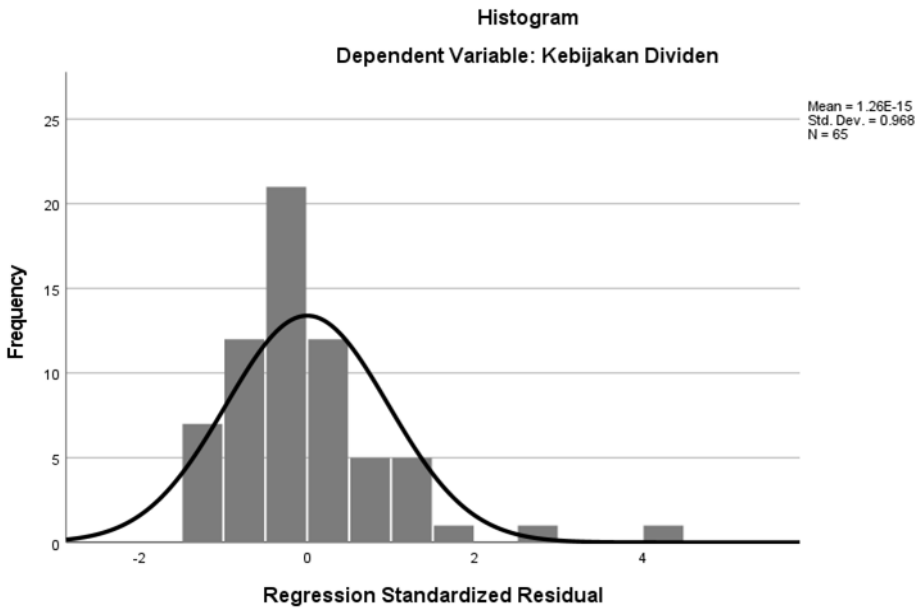

Figure III.1

Normality Test (Histogram) Before Outlier

The data are not normally distributed because the distribution is skewed to the left and does not follow a bell-shaped curve.

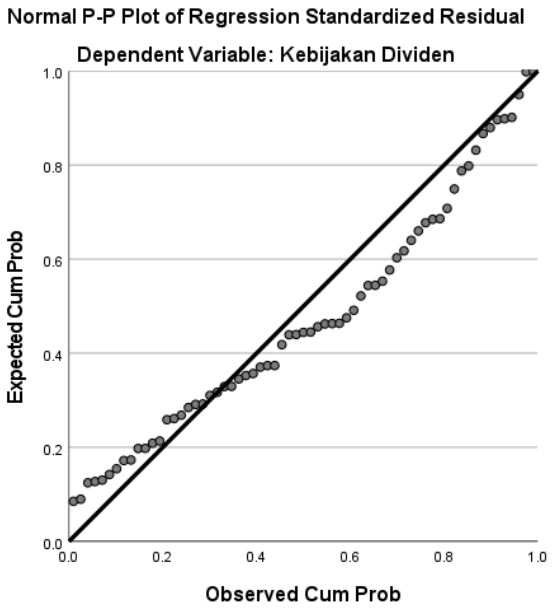

Figure III.2

Normality Test (Normal Plot) Before Outlier

Based on the figure above, it can be concluded that the data are not normally distributed because the points are scattered near the diagonal line. All three normality tests do not meet the requirements of this test. Therefore, data transformation (Ln) and outlier testing were conducted using the criteria of +2.56 to -2.56.

Table III.3

Normality Test (K-S) After Outlier

		Unstandardized Residual
N		54
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.53481852
Most Extreme Differences	Absolute	.046
	Positive	.033
	Negative	-.046
Test Statistic		.046
Asymp. Sig. (2-tailed)[c]		.200[d]

The table shows that the data are well distributed, as indicated by the Sig. value of 0.200 > 0.05.

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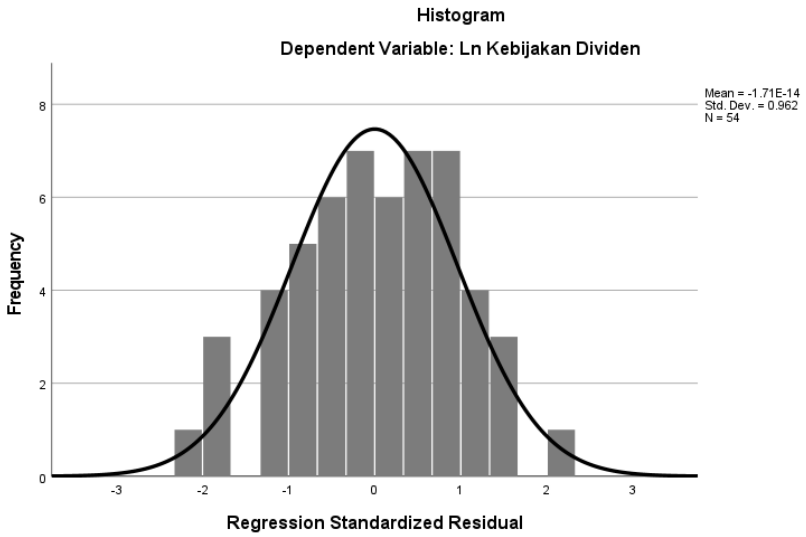

Figure III.3

Normality Test (Histogram) After Outlier

The data are normally distributed, closely resembling a bell-shaped curve, as shown in the figure above.

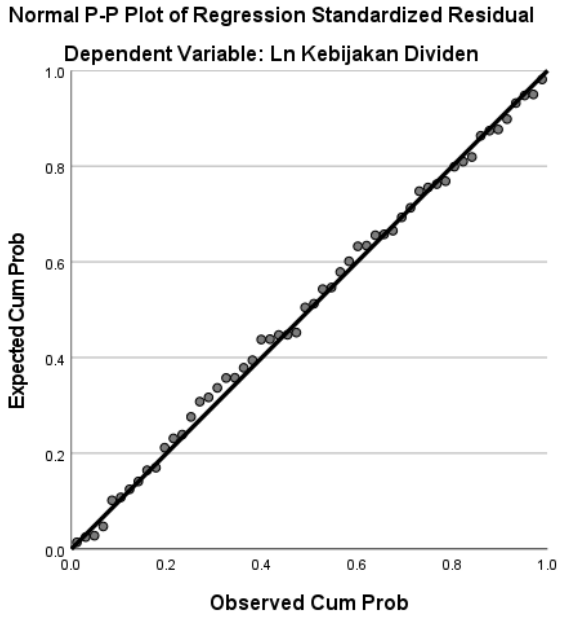

Figure III.4

Normality Test (Normal Plot) After Outlier

This figure shows a normal data pattern because the points lie on the diagonal line without

deviating from it.

b. Multicollinearity Test

Table III.4

Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Ln Firm Size	.906	1.103
	Ln Capital Structure	.892	1.122
	Ln Return on Equity	.976	1.025
	Ln Asset Growth	.994	1.006

a. Dependent Variable: Ln Dividend Policy

Based on Tolerance > 0.1 and VIF < 10, the multicollinearity test table proves that there is no issue among the independent variables.

c. Autocorrelation Test

Autocorrelation testing was conducted using the Durbin-Watson test as follows:

Table III.5

Autocorrelation Test

Model	Durbin-Watson
1	2.217[a]

Durbin-Watson indicates no autocorrelation, as it is within the range defined by criterion V, which is defined as du < d < 4 - du, that is 1.7234 < 2.217 < 2.2766.

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d. Heteroscedasticity Test

Two methods used to assess heteroscedasticity are the Scatterplot graph and the Park test, as follows:

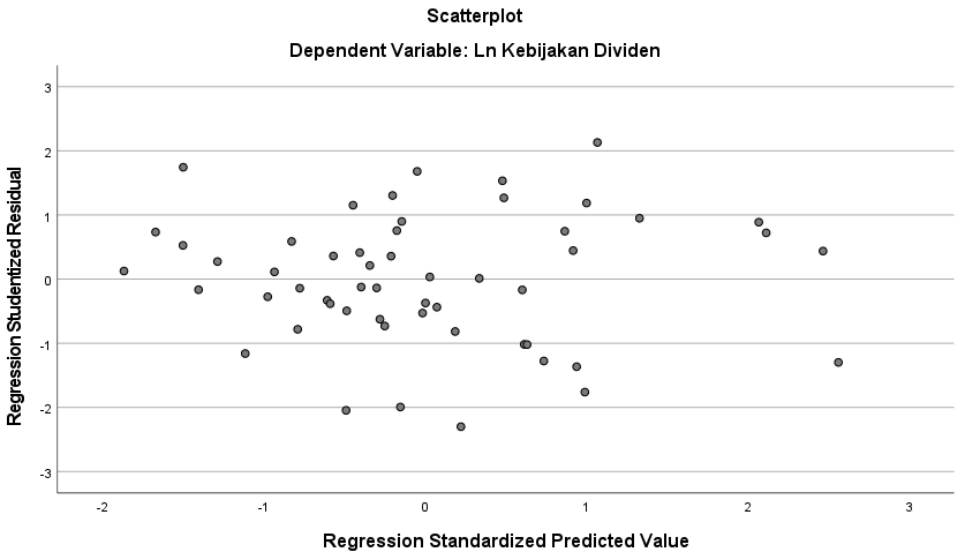

Figure III.5

Scatterplot Graph

Uji heterokedastisitas menunjukkan bahwa data tersebar di atas dan di bawah Sumbu Y, artinya tidak ada heterokedastisitas.

Table III.6

Park Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-69.066	75.897		-.910	.367
	Ln Firm Size	-8.239	6.032	-.196	-1.366	.178

	Ln Capital Structure	.024	.400	.009	.061	.952
	Ln Return on Equity	.768	.682	.155	1.125	.266
	Ln Asset Growth	42.062	32.478	.177	1.295	.201

a. Dependent Variable: LnU2i

The data above indicate that the regression model does not show heteroscedasticity, since the significance values exceed 0.05.

3. Data Analysis Model

a. Multiple Linear Regression Analysis

Table III.7

Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	-74.067	20.211	
	Ln Firm Size	-2.484	1.606	-.193
	Ln Capital Structure	-.048	.107	-.057
	Ln Return on Equity	.240	.182	.159
	Ln Asset Growth	35.933	8.649	.496

Based on the table, the linear regression equation is:

Ln Y = -74.067 – 2.484 Ln X1 – 0.048 Ln X2 + 0.240 Ln X3 + 35.933 Ln X4

The interpretation of the regression equation indicates the following:

a. The constant value (a) of –74.067 means that when the independent variables are equal to zero, Ln Dividend Policy decreases by 74.067 units.
b. The regression coefficient of Ln Firm Size is –2.484, which means that an increase of 1 unit causes a decrease of 2.484 units in Ln Dividend Policy.
c. The regression coefficient of Ln Capital Structure is –0.048, which means that an increase of 1 unit results in a decrease of 0.048 units in Ln Dividend Policy.

d. The regression coefficient of Ln Return on Equity is 0.240, which means that an increase of 1 unit results in an increase of 0.240 units in Ln Dividend Policy.
e. The regression coefficient of Ln Asset Growth is 35.933, which means that an increase of 1 unit results in an increase of 35.933 units in Ln Dividend Policy.

b. Coefficient of Determination

This coefficient of determination uses Adjusted R Square, which can be explained as follows:

Table III.8

Coefficient of Determination Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.554[a]	.307	.250	.55622

a. Predictors: (Constant), Ln Asset Growth, Ln Capital Structure, Ln Return on Equity, Ln Firm Size

The coefficient of determination is 0.250, indicating that 25 percent of the variation in dividend policy is explained by the independent variables, while 75 percent is caused by other variables.

c. t-Test (Partial Test)

Table III.9

t-Test Results

Model		t	Sig.
1	(Constant)	-3.665	.001
	Ln Firm Size	-1.547	.128
	Ln Capital Structure	-.453	.652
	Ln Return on Equity	1.322	.192
	Ln Asset Growth	4.155	.000

The results of the t-test show that:

1. Firm Size does not affect Dividend Policy (calculated t-value 1.547 < critical t-value 2.008, significance 0.128 > 0.05).
2. Capital Structure also does not affect Dividend Policy (*calculated t-value* 0.453 < *critical t-value* 2.008, significance 0.652 > 0.05).
3. Return on Equity does not affect Dividend Policy (*calculated t-value* 1.322 < *critical t-value* 2.008, significance 0.192 > 0.05).
4. Asset Growth affects Dividend Policy (*calculated t-value* 4.155 > *critical t-value* 2.008, significance 0.000 < 0.05).

d. F-Test (Simultaneous Test)

The results of the F-test (simultaneous test) are as follows:

Table III.10

F-Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.702	4	1.675	5.415	.001[b]
	Residual	15.160	49	.309		
	Total	21.861	53			

a. Dependent Variable: Ln Dividend Policy

b. Predictors: (Constant), Ln Asset Growth, Ln Capital Structure, Ln Return on Equity, Ln Firm Size

Table III.10 shows that the fifth hypothesis is accepted, indicating an effect on Dividend Policy, with a calculated F-value of 5.415 > critical F-value of 2.56 and a significance value of 0.001 < 0.05.

DISCUSSION

1. The Effect of Firm Size on Dividend Policy

The result of the first hypothesis test proves that the dividend policy of processed food and beverage companies listed on the Indonesia Stock Exchange is not influenced by firm size. This study concludes that firm size is not a determining factor of dividend policy. Investment

opportunities with higher profit potential are accessible to both large and small companies. This finding is consistent with the study conducted by Mnune and Purbawangsa (2019), which also found the same result as this research.

2. The Effect of Capital Structure on Dividend Policy

According to the result of the second hypothesis test, the dividend policy of processed food and beverage companies is not influenced by capital structure. An increase in capital structure affects profitability because more funds are allocated to loan and interest payments, resulting in a decrease in dividends and profitability. The study by Muhtarom (2021) found the same result.

3. The Effect of Return on Equity on Dividend Policy

According to the result of the third hypothesis test, Return on Equity does not affect the dividend policy of processed food and beverage companies listed on the Stock Exchange. Companies focus on expansion by retaining profits. After covering operational and expansion costs, earnings will be allocated to debt payments and dividends if sufficient. This result supports the findings of Pamungkas et al. (2017).

4. The Effect of Asset Growth on Dividend Policy

The fourth hypothesis proves that the dividend policy of processed food and beverage companies listed on the Indonesia Stock Exchange is influenced by asset growth. The addition of assets, followed by improved operational effectiveness, enables companies to provide higher dividend payments, which enhances external stakeholders' confidence. This result is consistent with Hardi and Andestiana (2018) and supports the Pecking Order Theory.

CONCLUSION

Based on the research findings, the conclusions are as follows:

1. Firm Size does not affect Dividend Policy.
2. Capital Structure does not affect Dividend Policy.
3. Return on Equity does not affect Dividend Policy.
4. Asset Growth Affects Dividend Policy.
5. Simultaneously, Firm Size, Capital Structure, Return on Equity, and Asset Growth affect Dividend Policy.

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