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**THE INFLUENCE OF DIVIDEND POLICY,
INVESTMENT OPPORTUNITY, AND
PROFITABILITY OF DEBT POLICY TOWARD
INDUSTRIES IN CONSUMPTION SECTORS****Wastam Wahyu Hidayat**Bhayangkara Jakarta Raya University of Jakarta,
Indonesia**Abstract**

This research aimed at finding out whether there was influence of Dividend Policy, Investment Opportunity, and Profitability toward Debt Policy. The research data population were 20 companies in consumption goods sectors listed on the Indonesia Stock Exchange in 2013 until 2015. This research used multiple linear regression analysis with Statistical Package for the Social Sciences version.20 to determine the influence of the independent variables; dividend policy, investment opportunity and profitability, toward the dependent variable Debt policy. The result of the research showed that: Dividend Policy had negative and significant effect on Debt Policy because the sig was 0.006, which was below 0.05; Investment Opportunity and Profitability had positive and significant effect on Debt Policy with the sig were 0.016 and 0.004, which were below 0.05; while at the same time, independent variables influenced 51.30% of debt policy, the 48.70% remaining influenced by other variables.

Keywords: *dividend policy, investment opportunity, profitability, and debt policy*

1.Introduction

The development of the business sectors in the globalization era is rapid and many new industries emerge and compete. On the other hand, companies should maintain and increase their value and the companies' ownership. Therefore, the companies should have plan and strategy regarding the financial condition in the future or, in other words, they should consider how to implement their plan in the field of finance. Beside managing the gain of the companies owners' wealth, the Management should be able to try maximizing the welfare of the shareholders through the authority given in making policies in the form of debt policy, investment opportunities, dividend policy, and profitability, so which policies needed to be implemented and not would be clear to increase the value of the companies and the shareholders' welfare.

2. Literature Review

2.1. Dividend Policy

Dividend policy is decisions made to consider whether the profit earned would be distributed to the shareholders as dividends or would be held in the form of retained earnings to finance the future investments. Dividend is the share of profits gained by a company granted to its shareholders in accordance with the percentage of ownership of the shares owned (Halim (2015). According to Destriana (2010) in Murtiningtyas (2012), dividend pay out ratio is the number of dividends per share distributed to the shareholders against the earnings of shares. Dividend Policy concerns on the issue of the use of profits that are the rights of shareholders, which basically can be distributed as dividends or would be held for future investments. In short, Dividend policy includes the determination of the use of net income to: (1) fund investments in the form of retained earnings, (2) reward shareholders in the form of dividends.

2.2. Investment Opportunity

According to Chung & Charoenwong (1991) in Fitriyah and Hidayat (2010), the meaning of growth for a company is the existence of investment opportunities that can generate its profits. Investors generally have limited funds to make investments. On the other hand, the opportunity to choose such investment is almost unlimited, therefore the decision to make the investment is needed to be analyzed. Investment opportunities have long-term effect, so it is difficult to predict due to uncertainty. This would lead to the thought of whether the plan is achieved or not that have impact on the risk of loss (Halim, 2015). According to Patricia (2014), Investment Opportunity describes the growth prospects of a companies expressed in market price, or can be measured by Market to Book of Value Assets (MBVA). Investors, generally, have limited funds to invest. On the other hand, the opportunity to choose the investment is needed to be analyzed because most of the investment opportunities are long-term and very difficult to predict because it is overwhelmed with uncertainty. According to Basri (2012) in Utomo (2009), Investment risks generally arise three possibilities: (1) The Amount of Investment, a large investment has a big risk of small investment, especially from the element of failure, if the investment is a failure then it can incline the value of the company, (2) Reinvest from the Cash Flow, the danger of the lost possibility in investment would be an additional risk of reinvesting the cash flow earned, (3) The Deviation from Cash Flow, forecasting the result of cash flow to be gained is an uneasy task, the uncertainty is the main risky challenge.

2.3. Profitability

According to Sartono (2001) in Andina (2013), profitability is the ability of a company to earn profits in relation to its sales, total assets, and owned capital. Meanwhile, according to Weston and Bringham (1990) in Andinda (2013), companies with high rates of return on investment used

relatively small debt because the high rates of return allow the companies to finance most of the internal fundings. In other words, companies with large retained earnings, would use retained earnings before deciding to use debt. According to Sartono (2010), profitability can be projected on the Return On Asset (ROA) ratio which compares the profit before tax with total assets.

2.4. Debt Policy

According to Riyanto (2008) in Rambe (2013), debt is temporary external capital meant for the operation of the companies, and for the companies the capital is concerned as debt, which should be paid together with its interest. Meanwhile, according to Djarwanto (2004) in Simanjuntak (2015), debt is a company's obligation to other parties to pay some money or deliver goods or services on a certain date. In theory of *angenan* the company's capital structure should be arranged in such a way that it can reduce conflicts between various parties that have interests in the company. The determination of debt policy of a company is related to the company's capital structure because it is one of the compositions in capital structure. According to Prastowo (1995) in Murtiningtyas (2012), debt policy can be measured by a company's ability to pay its debts with its own existing capital.

3. Research Method

3.1. Samples and Data

The subject of this study were 20 manufacturing companies listed on the Indonesia Stock Exchange (BEI) in the consumer goods sector in the period of 2013-2015. The method of taking the data was through sampling. The data researched was from the financial statements of the companies listed on the Indonesia Stock Exchange (BEI). The independent variables were dividend policy, investment opportunity, and profitability, while the dependent variable was debt policy.

3.2. Data Analysis Method

The data obtained in this research was analysed by using multiple linear regression analysis in Statistical Package for the Social Sciences version.20.

Multiple Linear Regression Model

The multiple linear regression model to analyse the data in this study was done after the data was processed in Statistical Package for the Social Sciences version.20 that is explained as follows:

$$\text{Debt-P} = 0.480 - 0.534 \text{ Dev-P} + 0.070 \text{ IO} + 1.300 \text{ PR}$$

Descriptions:

Debt-P	= Debt Policy
Dev-P	= Dividend Policy
IO	= Investment Opportunity
PR	= Profitability

4. Discussion

Table 1: Regression Result

Variable	Std. Error	t-statistic	Sig
Dividend Policy	0.186	-2.879	0.006
Investment Opportunity	0.028	2.475	0.016
Profitability	0.436	2.979	0.004

Table 2: Regression Result

Model	Df	F-statistic	Sig
Regression	3	6.650	0.001b
Residual	56		
Total	59		

Table 3: Regression Result

Model	R	F Change	Sig.F Change
1	0.513	6.650	0.001

The Influence of Dividend Policy toward Debt Policy

Based on Table 1, Dividend Policy partially had negative and significant effect on Debt Policy, with Sig = 0.006 < 0.05.

The Influence of Investment Opportunity toward Debt Policy

Based on Table 1, Investment Opportunity partially had positive and significant influence on Debt Policy, with Sig = 0.016 < 0.05.

The Influence of Profitability toward Debt Policy

Based on Table.1, Profitability partially had positive and significant effect on Debt Policy, with Sig = 0.004 < 0.05.

The Influence of Dividend Policy, Investment Opportunity, and Profitability toward Debt Policy

Based on Table.2, Dividend Policy, Investment Opportunity, and Profitability simultaneously had significant effects on Debt Policy, with Sig = 0.001 < 0.05. According to Table.3, Dividend Policy, Investment Opportunity, and Profitability simultaneously affect 51.30% of Debt Policy, while 48.70% remaining was influenced by other factors.

5. Conclusions

Based on the results of the research conducted by the researcher, the conclusions that can be drawn were:

Dividend Policy has negative effect, which means that the higher the dividend per share generated by the companies the less policy to go into debt because the dividend to be distributed would reconsider its function to be used in investments. Investment Opportunity had positive influence on Debt Policy. If a company considers to make investments then it would need funds, so they would need debt. Profitability had positive effect on Debt Policy. When a company is having its profit grow, it would need large funds, therefore it needs to make a debt to support the increase of its profit. For the future researchers, it would be better to use broader objects of research, both the companies and the period to conduct the research.

6. Limitation

This research was only done in 3 years and used 20 companies in industries in consumption sectors as the subjects, so that the data taken still less reflect the conditions of the companies. It is

suggested that future researchers would broaden the research's objects to be studied both the terms of period and the number of companies.

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Attachment:

Correlations

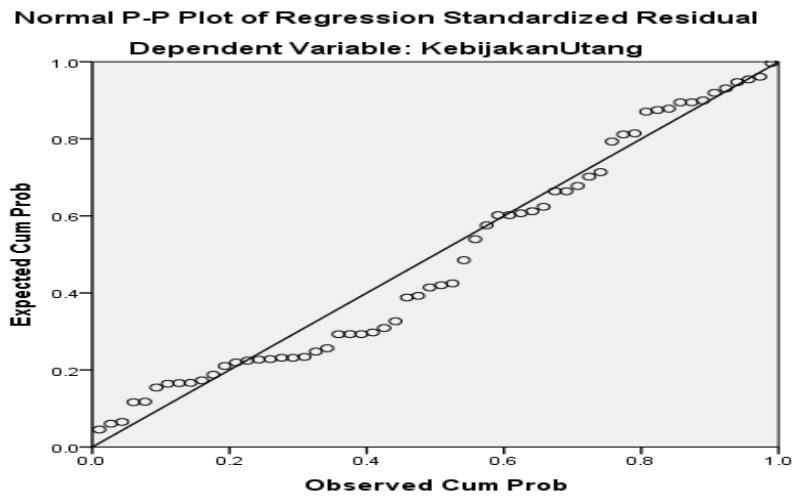
		Debt Policy	Dividen Policy	Investment Opportunity	Profitability
Pearson Correlation	Debt Policy	1.000	-.226	.339	.188
	Dividen Policy	-.226	1.000	-.155	.529
	Investment ON	.339	-.155	1.000	-.025
	Profitability	.188	.529	-.025	1.000
Sig. (1-tailed)	Debt Policy	.	.041	.004	.075
	Dividen Policy	.041	.	.118	.000
	Investment ON	.004	.118	.	.425
	Profitability	.075	.000	.425	.
N	Debt Policy	60	60	60	60
	Dividen Policy	60	60	60	60
	Invesment ON	60	60	60	60
	Profitability	60	60	60	60

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		60
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	.46347058
	Absolute	.129
Most Extreme Differences	Positive	.129
	Negative	-.077
Kolmogorov-Smirnov Z		1.000
Asymp. Sig. (2-tailed)		.270

a. Test distribution is Normal.

b. Calculated from data.



Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.480	.143		3.359	.001
Dividen Policy	-.534	.186	-.395	-2.879	.006
Investment ON	.070	.028	.288	2.475	.016
Profitability	1.300	.436	.404	2.979	.004

a. Dependent Variable: Debt Policy

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4.515	3	1.505	6.650	.001 ^b
Residual	12.673	56	.226		
Total	17.189	59			

a. Dependent Variable: Debt Policy

b. Predictors: (Constant), Profitability, Investment Opportunity, Dividen Policy

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.513 ^a	.263	.223	.475723015	.263	6.650	3	56	.001	1.082

a. Predictors: (Constant), Profitability, Investment Opportunity, Dividen Policy

b. Dependent Variable: Debt Policy