



THE EFFECT OF COMPANY SIZE, DEBT TO EQUITY RATIO, AND RETURN ON EQUITY RATIO ON DIVIDEND PAYOUT RATIO IN FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FROM 2019 TO 2024

PENGARUH UKURAN PERUSAHAAN, DEBT TO EQUITY RATIO, DAN, RETURN ON EQUITY RATIO TERHADAP DIVIDEND PAYOUT RATIO PADA PERUSAHAAN MANUFAKTUR SUBSEKTOR MAKANAN DAN MINUMAN YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2019-2024

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Abstract

This study aims to analyze the effect of company size, Debt to Equity Ratio (DER), and Return on Equity (ROE) on the Dividend Payout Ratio (DPR) of food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2024. This research adopts a quantitative approach with multiple linear regression analysis processed using SPSS. The sample of the study consists of 18 companies that meet the purposive sampling criteria. The results show that company size has a positive and significant effect on the Dividend Payout Ratio. However, Debt to Equity Ratio and Return on Equity do not have a significant effect on Dividend Payout Ratio, either partially or simultaneously. These findings suggest that other factors, beyond company size, play a more significant role in influencing dividend policies in the food and beverage manufacturing sector in Indonesia.

Keywords : Firm Size, Debt to Equity Ratio, Return on Equity, Dividend Payout Ratio, Manufacturing Companies.

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh ukuran perusahaan, Debt to Equity Ratio (DER), dan Return on Equity (ROE) terhadap Dividend Payout Ratio (DPR) pada perusahaan manufaktur subsektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia (BEI) periode 2019-2024. Penelitian ini menggunakan pendekatan kuantitatif dengan analisis regresi linear berganda yang diolah menggunakan SPSS. Sampel penelitian terdiri dari 18 perusahaan yang memenuhi kriteria purposive sampling. Hasil penelitian menunjukkan bahwa ukuran perusahaan berpengaruh positif dan signifikan terhadap Dividend Payout Ratio. Namun, Debt to Equity Ratio dan Return on Equity tidak berpengaruh



signifikan terhadap Dividend Payout Ratio baik secara parsial maupun simultan. Temuan ini mengindikasikan bahwa faktor-faktor lain di luar ukuran perusahaan lebih berperan dalam mempengaruhi kebijakan dividen pada perusahaan-perusahaan di subsektor makanan dan minuman di Indonesia.

Kata Kunci : Ukuran Perusahaan, Debt to Equity Ratio, Return on Equity, Dividend Payout Ratio, Perusahaan Manufaktur.

1. INTRODUCTION

The food and beverage industry has long been a key sector driving Indonesia's economy. According to the Indonesian Statistics Bureau, the manufacturing sector contributed significantly to the country's Gross Domestic Product (GDP), with the food and beverage subsector being one of the largest contributors. In 2023, the food and beverage subsector alone accounted for a substantial share of the country's industrial production, signaling its importance in the national economic structure. Despite its growth, companies within this subsector face challenges in maintaining financial stability and managing dividends, which significantly impact their relationships with investors (Hiola & Paris, 2020).

Dividend payout policies have become a central focus in corporate finance, as they directly influence investor satisfaction and corporate valuation. Investors often view dividends as a signal of a company's financial health and stability (Niswatin et al., 2024). In particular, companies that can consistently pay dividends are considered financially strong, thus attracting more investments. On the other hand, companies that fail to provide regular dividends may experience a decline in investor trust, which may lead to decreased stock prices and capital (Agustino & Dewi, 2019). Given this, understanding the factors influencing dividend payout decisions is crucial for both companies and investors.

Several factors contribute to dividend payout decisions, including company size, financial leverage, and profitability. Company size, often measured by total assets or sales, can provide an indication of a firm's ability to generate stable cash flows (Niswatin, Fikranto, et al., 2024). Larger companies are generally believed to have a better capacity for paying dividends due to their financial stability and access to capital markets (Rantika et al., 2022). In contrast, smaller firms may face greater financial constraints and might prioritize reinvestment over dividend distribution. Additionally, financial leverage, reflected by the Debt to Equity Ratio (DER), influences dividend policy. Companies with high DER are typically more cautious with dividend distribution, as they must prioritize debt repayment, which limits the funds available for dividends (Kharisma, 2020).

Return on Equity (ROE), a measure of a company's profitability relative to its equity, is another critical determinant of dividend payouts. A higher ROE suggests that a company is generating significant returns on shareholders' investments, thus providing the company with the financial strength to pay higher dividends (Meliana et al., 2020). Investors often view a high ROE as a positive indicator of a company's operational efficiency and its potential to distribute profits. However, while profitability plays an essential role in dividend distribution,



firms with high profits may still retain earnings for growth opportunities or to cover future capital expenditures, thus limiting the amount paid as dividends.

Despite the theoretical assumptions regarding these factors, empirical research has yielded mixed results. Some studies suggest that company size has a significant positive effect on dividend payout ratios, while others find no such relationship (Praptapa et al., 2021). Similarly, the effect of DER and ROE on dividend payout policies has been inconsistent across different studies. While some research indicates a positive relationship between DER and dividend payout, other studies show that high leverage leads to a reduction in dividend payments due to increased debt obligations (Ompusunggu et al., 2022). Additionally, the relationship between ROE and dividend payout ratios remains unclear, as some studies find a significant positive correlation, while others report no significant effect (Pangaribuan et al., 2020).

Given these mixed findings, the purpose of this study is to examine the effects of company size, Debt to Equity Ratio (DER), and Return on Equity (ROE) on the Dividend Payout Ratio (DPR) in food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period of 2019-2024. By focusing on this specific subsector, this research aims to provide further insights into the determinants of dividend policies in an essential industry that contributes significantly to Indonesia's economy. The results of this study are expected to benefit both corporate managers and investors in understanding the factors that influence dividend decisions and improving their strategies accordingly.

2. RESEARCH METHOD

This research adopts a quantitative approach with a causal-comparative research design (Hiola & Harun, 2021). A quantitative approach involves the collection and analysis of numerical data to understand patterns, relationships, or trends within the subject of study (Amelia et al., 2023). The causal-comparative design, often referred to as an ex post facto design, is used to investigate the cause-and-effect relationships between variables. This research aims to determine whether and how certain factors influence outcomes, and it involves comparing groups based on their exposure to different conditions or treatments. Additionally, the study emphasizes the importance of statistical analysis in deriving meaningful conclusions from the data, allowing for generalizations that contribute to a deeper understanding of the research problem (Hiola & Buka, 2021).

The population of this study consists of all food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2024. The sample was selected using purposive sampling, which is a non-random sampling technique where the researcher selects participants based on specific criteria. The criteria for inclusion were: (1) the company must be listed on the IDX during the study period, (2) the company must report annual financial statements during the study period, and (3) the company must have distributed dividends during this period. Based on these criteria, a total of 18 companies were selected as the sample, resulting in 108 data points over six years.



The independent variables in this study are company size, Debt to Equity Ratio (DER), and Return on Equity (ROE), while the dependent variable is the Dividend Payout Ratio (DPR). Company size is measured by the total assets of the company, DER is calculated as the ratio of total debt to equity, and ROE is calculated as net income divided by shareholders' equity. The analysis method used is multiple linear regression, which was processed using the Statistical Package for the Social Sciences (SPSS) software. The multiple regression model is formulated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

- Y = Dividend Payout Ratio (DPR)
- β_0 = constant (intercept)
- $\beta_1, \beta_2, \beta_3$ = regression coefficients for the independent variables (company size, DER, ROE)
- ϵ = error term

This study aims to test the following hypotheses:

- H1: Company size has a significant effect on Dividend Payout Ratio in the food and beverage manufacturing companies listed on IDX.
- H2: Debt to Equity Ratio (DER) has a significant effect on Dividend Payout Ratio in the food and beverage manufacturing companies listed on IDX.
- H3: Return on Equity (ROE) has a significant effect on Dividend Payout Ratio in the food and beverage manufacturing companies listed on IDX.
- H4: Company size, Debt to Equity Ratio, and Return on Equity together have a significant effect on Dividend Payout Ratio in the food and beverage manufacturing companies listed on IDX.

3. RESULT AND DISCUSSION

a. Descriptive Statistics

Descriptive statistics were conducted to provide an overview of the data. The results are presented in Table 1, which shows the minimum, maximum, mean, and standard deviation values for each of the variables used in the study.

Table 1. Descriptive Statistics for Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Company Size (X1)	108	27.370	32.940	29.92	1.42
Debt to Equity Ratio (X2)	108	0.070	9.210	0.83	0.98
Return on Equity (X3)	108	0.010	2.070	0.15	0.20
Dividend Payout Ratio (Y)	108	6.360	252.910	49.25	40.43

The table reveals that the average company size (measured by total assets) is 29.92, with PT Indofood CBP Sukses Makmur Tbk (ICBP) having the largest company size of 32.94. The Debt to Equity Ratio (DER) averages 0.83, with PT Mayora Indah Tbk (MYOR) having the highest ratio of 9.21. The Return on Equity (ROE) has an average value of 0.15, with PT



Mayora Indah Tbk again having the highest ROE of 2.07. The Dividend Payout Ratio (DPR) has an average value of 49.25, indicating the variability in dividend payouts among the companies in the study.

b. Regression Analysis

Multiple linear regression analysis was conducted to determine the effect of the independent variables (company size, DER, and ROE) on the dependent variable (Dividend Payout Ratio). The results of the regression analysis are shown in Table 2.

Table 2. Multiple Regressio Analysis Results

Variable	Coefficient	Std. Error	t-value	p-value
Company Size (X1)	4.759	0.000	2.004	0.048
Debt to Equity Ratio (X2)	-0.137	0.102	-1.341	0.183
Return on Equity (X3)	0.005	0.005	0.931	0.354
Constant	3.712	0.084	44.445	0.000

The results indicate that company size (X1) has a positive and significant effect on the Dividend Payout Ratio, with a p-value of 0.048 (<0.05). However, Debt to Equity Ratio (X2) and Return on Equity (X3) do not have a significant effect on the Dividend Payout Ratio, with p-values of 0.183 and 0.354, respectively (both >0.05). These findings suggest that while company size influences dividend policies, DER and ROE do not significantly impact dividend payout decisions in the food and beverage manufacturing sector.

c. Hypotesis Testing

The results of hypothesis testing were conducted using both partial (t-test) and simultaneous (F-test) methods. The t-test results show that company size (X1) has a significant positive effect on the Dividend Payout Ratio. However, Debt to Equity Ratio (X2) and Return on Equity (X3) do not have a significant effect on the Dividend Payout Ratio. The F-test results indicate that the combination of company size, DER, and ROE does not significantly affect the Dividend Payout Ratio, meaning that these three variables together do not explain changes in the dividend payout ratio.

d. Discussion

The findings of this study reveal that company size significantly influences dividend payouts, consistent with the signaling theory, where larger firms are perceived as more stable and capable of paying consistent dividends. Larger companies often send a positive signal to investors through their stable dividend payments, indicating strong financial health. This result supports previous studies by Lestari (2016) and Khoirunnisa (2024), which also found that company size has a positive effect on dividend payout.

The results of this study are in alignment with Niswatin et al. (2023), who suggested that larger companies, by virtue of their size and financial stability, tend to distribute dividends more regularly compared to smaller companies. This is because larger companies have better access to capital markets and greater financial flexibility, which enables them to pay dividends even in challenging economic conditions. In contrast, smaller companies often face financial



constraints, which may force them to retain earnings for reinvestment rather than paying dividends.

On the other hand, Debt to Equity Ratio (DER) and Return on Equity (ROE) were found to have no significant impact on the Dividend Payout Ratio in this study. This suggests that despite the importance of financial leverage and profitability in determining financial health, these factors do not directly influence dividend policies in the food and beverage sector. This is in line with findings by Ompusunggu et al. (2022), who also reported that DER does not significantly affect dividend payout. Similarly, the lack of significance of ROE in dividend decisions supports the findings of Pangaribuan et al. (2020), who argued that profitability may not always correlate with dividend payouts if other factors, such as cash flow needs or growth strategies, take precedence.

Moreover, Niswatin et al. (2023) emphasized that while profitability and financial leverage are important, they might not always directly determine dividend payouts. Companies with high debt levels may prioritize debt servicing over dividend distribution, as the need to meet interest and principal obligations reduces the available funds for dividends. Similarly, companies with high ROE may opt to reinvest profits into expanding the business rather than paying dividends, which aligns with the findings in this study.

Despite the lack of significance of DER and ROE, the findings suggest that the food and beverage manufacturing sector tends to prioritize stability and long-term growth over short-term profitability when making dividend decisions. Companies with high levels of debt or profitability may choose to retain earnings for expansion or debt repayment, which limits the amount of dividends paid. This reflects a strategic decision-making process aimed at balancing investor expectations with the need for reinvestment and financial flexibility.

4. CONCLUSION

This study aimed to examine the effects of company size, Debt to Equity Ratio (DER), and Return on Equity (ROE) on the Dividend Payout Ratio (DPR) of food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2024. The results indicate that company size has a positive and significant effect on the Dividend Payout Ratio, suggesting that larger companies are more likely to distribute dividends due to their greater financial stability. However, both DER and ROE were found to have no significant effect on the Dividend Payout Ratio, both individually and simultaneously. These findings imply that while company size plays a crucial role in dividend distribution, the influence of financial leverage and profitability is less significant in determining dividend payouts within the food and beverage sector. Furthermore, the combination of company size, DER, and ROE does not provide a sufficient explanation for variations in dividend payout decisions, indicating that other factors may play a more substantial role in shaping dividend policies.

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