



## **The Effect of Profitability Collateralizable Assets and Growth in Net Assets to Dividend Policy (Case Studies on Manufacturing Companies Listed in Indonesia Stock Exchange for The 2018-2022 Period)**

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### **ABSTRACT**

*This research aims to analyze and obtain empirical evidence about the effect of profitability, collateralizable assets, and growth in net assets to dividend policy. Dependent variable was used Dividend Policy. Independent variable were used profitability, collateralizable assets, and growth in net assets. This research population was manufacturing companies listed in Indonesia Stock Exchange in period 2018-2022. Sample was collected by purposive sampling method. Total 35 manufacturing companies were taken as study's sample. By collecting secondary data in the form of financial reports that are accessed through [www.idx.co.id](http://www.idx.co.id). Hypothesis testing used multiple linear regression analysis with SPSS 23 program and a significant level of 0,05 (5%). The results of this research showed that collateralizable assets did not significantly effect to dividend policy. As for profitability has positive significantly effect to dividend policy, and growth in net assets has negative significantly effect to dividend policy. The determination coefficient result showed 58,1%. That's about 58,1% indicated the ability of the independent variables explained the dependent variable while 41,9% explained by the other variables.*

**Keywords:** *Collateralizable Assets; Dividend Policy; Growth in Net Assets; Profitability.*

### **INTRODUCTION**

Increasing financial imbalances and increasingly sharp competition between businesses encourage business actors to become more successful and productive in order to improve the company's quality of life. In publicly traded companies, dividends are one of the biggest motivations for investors to contribute their savings in market securities. In

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general, investors need a distribution of profits that is satisfactory and fairly stable or increases over time, because the solidity of profits can increase investor's certainty in the company and explain investor's problem in donating their reserves (Sinta et al., 2023). In general, a company's profits are given to shareholders in the form of dividends and then the remaining portion is reinvested in retained earnings. Dividend policy is management's plan to distribute dividend. Dividends that fall or are even eliminated are considered a negative signal for investors regarding the company's progress. Conversely, increasing dividends are considered a positive signal for company growth (Jensen, 1986). Stable and expansive profits will attract shareholders. Usually this is because the higher the dividends distributed, the greater the certainty of investors in the company (Muspa, 2023). Companies are required to create dividend policies and future developments so that share costs do not fall. The causes the company's growth rate to be lower in the future which has an impact on share prices. To avoid this, companies must implement a perfect dividend policy that balances current profits with future developments (Wahjudi, 2019). Components that influence the level of dividend policy include profitability is measured using the return on assets, collateralizable assets, and growth in net assets (Wahjudi, 2019). Based on the description of the background of the problem, this research aims to analyze the variables which influence dividend policy significantly. The variables that will be tested for their influence on dividend policy includes the following: Profitability, Collateralizable Assets, and Growth in Net Assets.

## LITERATURE REVIEW

### A. Basic of Theory

#### 1. Dividend Policy

Dividend policy is used as the dependent variable in this research. The internal operating decisions made by the company when distributing profits to shareholders are these policies. The company's fiscal condition, projected business growth, and shareholder prospects are some of the components considered in this policy (Simbolon & Kristina, 2017). Dividend Payout Ratio (DPR) is a ratio commonly used to calculate dividend policy. as stated by (Smart et al., 2016) the dividend payout ratio formula is as follows:

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Cash Dividend}}{\text{Net Profit}} \times 100\%$$

#### 2. Profitability

Profitability is a measure of how well a company can generate profits or profits from the results of its operations using the assets it owns. One metric that can be used to measure company profitability is Return on Equity (ROE). The higher the ROE, the better the company manages its assets and generates profits. Therefore, additional research must be carried out simultaneously with this research to determine the company's overall performance (Noviyana & Rahayu, 2021). The Return on Equity (ROE) formula is as follows:

$$\text{Return on Assets (ROE)} = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100\%$$

#### 3. Collateralizable Assets

Assets that can be pledged as collateral can be used by the company as collateral. In most cases, collateralized assets have low risk and can provide high returns to shareholders without needing to worry about conflicts of interest between creditors (Hidayati, 2021). The fixed assets used to measure the value of

Collateralizable Assets are 100% of the total fixed assets owned by the company. The formula is as follows:

$$\text{Collateralizable Assets (COLLAS)} = \frac{\text{Fixed Assets}}{\text{Total Assets}} \times 100\%$$

#### 4. Growth in Net Assets

Companies that have significant Growth in Net Assets generally have strong financial strength and can obtain funds to develop their business activities. The growth in assets used for company operations is shown by an increase in net asset value. Companies can incur higher costs without losing future investments. According to (Wahjudi, 2019), the formula for net asset growth is as follows:

$$\text{Growth in Net Assets (GINA)} = \frac{\text{Fixed Assets}}{\text{Total Assets}} \times 100\%$$

### B. Framework

#### 1. Effect on Profitability on Dividend Policy

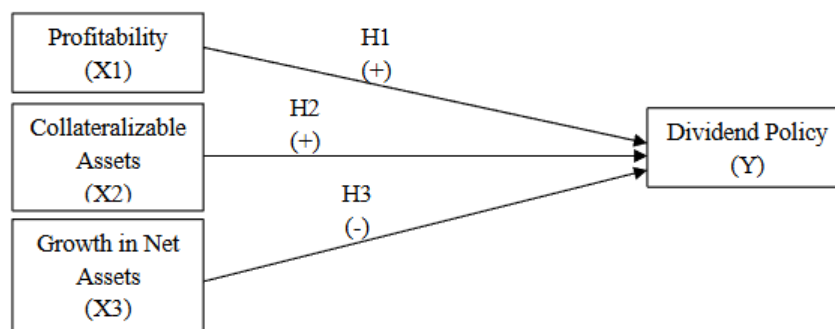
The ability of a company's assets to generate net profits every day is called profitability which can be measured using the Return on Equity (ROE) formula. The higher the ROE, the better the company's performance in managing assets and generating profits. Agency theory put forward by (Jensen & Meckling, 1976) shows the relationship between profitability and dividend policy, namely that managers will maximize the profits that will be obtained by company owners. High profits are a good signal to attract investors because they will increase investors' confidence in investing, this is in accordance with the signal theory put forward by (Miller & Modigliani, 1961)

#### 2. Effect on Collateralizable Assets on Dividend Policy

Collateralizable Assets in a company have a positive impact on dividend payments. If Collateralizable Assets are high, it can pay high dividends to shareholders because it has low risk in debt financing. Collateralizable Assets can be calculated by comparing fixed assets with total assets. According to agency theory put forward by (Jensen & Meckling, 1976) Collateralizable Assets can protect managers and shareholders from conflicts of interest. High wealth shows the company's ability to pay its debts. The company's conflict of interest between creditors and management will be reduced if many assets are pledged as collateral (Miller & Modigliani, 1961).

#### 3. Effect of Growth in Net Assets

Growth in Net Assets is used in business operations to increase results from increasing net asset value. A company has financial strength if its asset growth is high. Companies can increase dividend payments without reducing future investments. Investor confidence increases as assets and operating results increase. According to agency theory, rapid asset growth can reduce conflicts of interest between shareholders and managers. Shareholders allow companies to reinvest their profits for funding (Jensen & Meckling, 1976). An increasing amount of assets indicates that the company is experiencing development and good performance (Miller & Modigliani, 1961).



## RESEARCH METHOD

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2022. The population in this study were 225 companies. This study used purposive sampling technique and produced 35 samples with a study period of 5 years, so the amount of data in the study was 175 data. The secondary data of this study are the annual financial report from the official website of the Indonesia Stock Exchange (IDX) [www.idx.co.id](http://www.idx.co.id) and the websites of each company. This study used IBM SPSS 23, a structural equation modeling software to support complex data.

## RESULT AND DISCUSSION

### A. Descriptive Statistical Analysis

Descriptive statistical analysis can describe and explain the data description of each variable used in the study (Sugiyono, 2016). The description of the data obtained includes the average value (mean), minimum value, maximum value, and standard deviation of each variable. The following are the results of the descriptive statistical test of this study:

**Table 1. The results of descriptive statistical test**

Descriptive Statistics					
	N	Minimum	Maksimum	Mean	Std.
<b>ROE</b>	175	0,015	1,451	0,175	0,216
<b>COLLAS</b>	175	0,038	0,737	0,358	0,169
<b>GINA</b>	175	-0,178	1,676	0,098	0,178
<b>DPR</b>	175	0,015	2,529	0,509	0,428

(Source: Data processed by the author, SPSS 23)

### B. Classic Assumption Test

#### 1. Normality Test

According to (Ajija & Shochrul, 2011) normality tests is only conducted if the research has less than 30 data to find out whether the error term is close to normally distributed data. If the research has more than 30 data, then there is no need to conduct a normality test because the sampling distribution of the error term has approached normal. The according to (Gujarati & Porter, 2009) research that has more than 100 data doesn't need to conduct a normality test. In this study,

the data amounted to 175 data, so there is no need for a normality test.

## 2. Multicollinearity Test

**Table 2. The results of the multicollinearity test**

Variable	Tolerance	VIF	Description
Profitability (ROE)	0,995	1,005	Non-multicollinearity
Collateralizable Assets (COLLAS)	0,984	1,061	Non-multicollinearity
Growth in Net Assets (GINA)	0,982	1,018	Non-multicollinearity

(Source: Data processed by the author, SPSS 23)

From the results of the multicollinearity test, it can be seen that all independent variables have a VIF value of less than 10 and a tolerance value of more than 0,10. So it can be concluded that there is no multicollinearity between independent variables.

## 3. Heteroscedasticity Test

**Table 3. The results of the heteroscedasticity test**

Variable	Sig.	Description
Profitability (ROE)	0,060	Non-heteroscedasticity
Collateralizable Assets (COLLAS)	0,869	Non-heteroscedasticity
Growth in Net Assets (GINA)	0,208	Non-heteroscedasticity

(Source: Data processed by the author, SPSS 23)

Based on the output of the table above, the heteroscedasticity test with the Glejser test shows that each independent variable has a significance value (Sig.) > 0,05. This, it can be concluded that the regression model used in this research does not show symptoms of heteroscedasticity.

## 4. Autocorrelation Test

**Table 4. The results of the autocorrelation test**

Model Summary<sup>b</sup>

Model	Durbin-Watson
1	1.843 <sup>a</sup>

a. Predictors:

(Constant), GINA,

ROE, COLLAS

b. Dependent Variable:

DPR

(Source: Data processed by the author, SPSS 23)

**Table 5. Durbin's Watson test decision making**

Durbin Watson	N	K	DI	Du
1,855	175	3	1,7180	1,7877
	<b>DU</b>	<b>DW</b>	<b>4-DU</b>	
	1,7877	1,843	2,2123	

From the decision making table above, it can be seen that  $DU < DW < 4-DU$  has

a value of  $1,7877 < 1,843 < 2,2123$ , which indicates that there are no symptoms of autocorrelation or that the autocorrelation assumption is not met.

**C. Multiple Linier Regression Analysis**

**Table 6. Multiple Linier Regression Analysis Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.431	.080		5.402	.000
ROE	.367	.142	.185	2.580	.011
COLLAS	.211	.183	.083	1.155	.250
GINA	-.633	.174	-.263	-3.636	.000

a. Dependent Variable: DPR

(Source: Data processed by the author, SPSS 23)

$$Y = 0,431 + 0,367 (X1) + 0,211 (X2) - 0,633 (X3) + \varepsilon$$

The regression equation above can be explained that:

- Constant value of 0,431 which means that if the value of the independent variable Profitability (X1), Collateralizable Assets (X2), and Growth in Net Assets (X3) is 0 (zero), then the value of the dependent variable Dividend Policy (Y) is 0,431.
- The Profitability (X1) coefficient value is 0,367 meaning that if there is an increase in Profitability by one unit and the other variables are constant, the dependent variable Dividend Policy (DPR) will experience an increase of 0,367.
- The Collateralizable Assets (X2) coefficient value is 0,211 meaning that if there is an increase in Collateralizable Assets by one unit and the other variables are constant, the dependent variable Dividend Policy (DPR) will experience a decrease of 0,211.
- The Growth in Net Assets (X3) coefficient value is -0,633 meaning that if there is an increase in Growth in Net Assets by one unit and the other variables are constant, the dependent variable Dividend Policy (DPR) will experience a decrease of -0,633.

**D. Hypothesis Testing**

**1. Partial Test (Test t)**

**Table 7. Partial test (Test T) Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.431	.080		5.402	.000
ROE	.367	.142	.185	2.580	.011
COLLAS	.211	.183	.083	1.155	.250
GINA	-.633	.174	-.263	-3.636	.000

a. Dependent Variable: DPR

(Source: Data processed by the author, SPSS 23)

Profitability has a significant effect on Dividend Policy with the results of the t test on the variable obtaining a calculated t value of 2,580 which shows that the calculated t is greater than the t table 1,97385 and the significant value is less than

0,05. Collateralizable Assets has not significant effect on Dividend Policy with the results of the t test on the variable obtaining a calculated t value of 1,155 which shows that the calculated t is less than the t table 1,97385 and the significant value is more than 0,05. Growth in Net Assets has a significant effect on Dividend Policy with the results of the t test on the variable obtaining a calculated t value of -3,636 which shows that the calculated t is less than the t table 1,97385 and the significant value is less than 0,05.

## 2. Analysis of the Coefficient of Determination

**Table 8. Coefficient of Determination  
Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762 <sup>a</sup>	.581	.507	.826683

a. Predictors: (Constant), GINA, ROE, COLLAS

b. Dependent Variable: DPR

(Source: Data processed by the author, SPSS 23)

Based on the test results, it can be seen that adjusted R square value of the research model shows a result of 0,581 or 58,1%. Therefore, the independent variables consisting of Profitability (ROE), Collateralizable Assets, and Growth in Net Assets can explain the dependent variable Dividend Policy (DPR) of 0,581 or 58,1%, while the rest is 0,419 or 41,9% explained by other variables outside the research.

## CONCLUSION

The results of this research showed that collateralizable assets did not significantly effect to dividend policy. As for profitability has positive significantly effect to dividend policy, and growth in net assets has negative significantly effect to dividend policy. Based on conclusions of the analysis results, the following limitation and suggestions. The limitations of this study are as follows: The value obtained from the Growth in Net Assets (GINA) formula tends to be negative which results in missing data or missing data and there are several manufacturing companies that use the Dollar (US). The suggestions of this study are: this research is expected to be a new reference for futher researchers, especially in conducting further research on Collateralizable Assets by exploring the objects or periods in this study; manufacturing companies must pay attention to profitability and growth in net assets that can effect dividend policy, so investors will be more interested in buying shares or investing; and for prospective investors who want to invest or buy shares of manufacturing companies, it is expected to choose companies with high profitability value and low growth in net assets in order to get high dividend distributions.

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