

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Manufacturing sector is a promising choice in helping Indonesia's economic growth rate today. The process of processing raw goods into finished goods using these supporting resources is generally called manufacturing. There is a variety of manufacturing industries that we can see on the Indonesia Stock Exchange. The Indonesia Stock Exchange (IDX) is a capital market for various long-term financial instruments that can be traded, either in the form of debt or equity. IDX plays a major role in the country's economy.

Consumer Goods Industry is included in the Manufacturing sector. Therefore, Consumer Goods industry is required to always maintain or increase the company's profit in order to encourage the country's economy. In order to maintain and increase company's profit, additional investment is required such as expanding its business into the country and abroad. Usually companies seeking additional funds in the form of investments will issue a number of securities such as bonds or shares to sell to the public.

In making investments, investors tend to be more interested in investing in companies that have a good stable performance. Every company always wants a good business growth and distributes dividends to shareholders. Therefore, the companies must pay more attention to decisions taken such as funding decisions, investment decisions and dividends policies. Payment of dividends in cash is more desired by investors than in other forms, because cash dividends payment could reduce investor uncertainty in investment activities within the company. Companies in consumer goods Industry must provide sufficient capital to

support its growth continuously, in order to maintain the companies' profit.

Leverage ratio is a ratio that measures how much debt is used in company. The leverage ratio used is Debt Asset Ratio. According to Kasmir (2014), Debt Asset Ratio is a debt ratio used to measure the ratio between total debt and total assets. This ratio shows how much the company's assets are financed by debt or how much the company's debt affects the management of assets. The greater the Debt Asset Ratio, the greater the use of debt in financing investments in assets and financial risks of the company increases.

Investment opportunity set is an investment decision in the form of a combination of assets in place and investment options in the future, where the investment opportunity will affect the value of the company. Investment opportunities reflect the growth of assets and equity. Companies that experience good growth will choose investment opportunities as a way to develop the company.

According to Kasmir (2015), profitability ratios are ratios to assess the ability of a company to make a profit. This ratio also provides a measure of the effectiveness of a company's management. One of the profitability ratios used is Return On Assets. Return On Assets is a ratio that shows the return on the amount of assets used in a company. Return On Assets measures the company's ability to use its assets to make a profit. The greater the Return On Assets ratio, the better it is for the company.

Data on the phenomenon of total debt, stock prices, net income and dividends in the three consumer goods companies listed on the Indonesia Stock Exchange for the period 2013-2017 can be seen through Table 1.1.

Table 1.1 Research Phenomenon

Company's Code	Period	Total Debt	Stock Price	Net Income	Cash Dividends
PT. Delta Djakarta Tbk	2013	157,091,241,000	380,000	270,498,062,000	192,151,582,000
	2014	227,473,881,000	390,000	288,073,432,000	200,158,172,000
	2015	188,700,435,000	5,200	192,045,199,000	102,079,086,000
	2016	185,422,642,000	5,000	254,509,268,000	96,079,086,000
	2017	196,197,372,000	4,590	279,772,635,000	144,118,629,000
PT. Indofood CBP Sukses Makmur Tbk	2013	8,001,739,000,000	10,200	2,235,040,000,000	1,116,450,000,000
	2014	9,870,264,000,000	13,100	2,531,681,000,000	1,128,410,000,000
	2015	10,173,713,000,000	13,475	2,923,148,000,000	1,320,458,000,000
	2016	10,401,125,000,000	8,575	3,631,301,000,000	1,544,392,000,000
	2017	11,295,184,000,000	8,900	3,543,173,000,000	1,942,822,000,000
PT. Handjaya Mandala Sampoerna Tbk	2013	13,249,559,000,000	62,400	10,818,486,000,000	9,945,027,000,000
	2014	14,882,516,000,000	68,650	10,181,083,000,000	10,650,690,000,000
	2015	5,994,664,000,000	94,000	10,363,308,000,000	12,250,485,000,000
	2016	8,333,263,000,000	3,830	12,762,229,000,000	10,352,309,000,000
	2017	9,028,078,000,000	4,730	12,670,534,000,000	12,527,457,000,000

Source: Companies' financial statement

Based on the data in Table 1.1 can be seen the net profit of PT. Delta Djakarta Tbk, in 2016 increased by 32% but dividend distribution decreased by 5%. This is because companies reduce dividend distribution to invest in asset values.

PT. Indofood CBP Sukses Makmur Tbk, Total debt in 2014 increased by 23% but dividend distribution also increased by 1%. Companies that have productive debt indicate that the company is active in increasing its sales volume. If sales increase, the company's profits will also increase, allowing the company to distribute more dividends.

PT. Handjaya Mandala Sampoerna Tbk, The share price in 2014 increased by 10% but the dividend distribution also increased by 7%. The greater the investment opportunity the company allows the company to grow larger so that there is a possibility for companies to distribute more dividends.

Based on the above phenomenon, the researcher will do a research with the title: **"The Effect of Debt Asset Ratio, Investment Opportunity Set and Return on Assets on Dividend Policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017"**.

1.2 Problem Limitation

The researcher limits the research on the Effect of Debt Asset Ratio, Investment Opportunity Set and Return on Assets on Dividend Policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017. The research object is limited on 18 companies. To do so, the researcher calculated using SPSS.

1.3 Problem Formulation

Based on the background outlined before, the formulation of the research problem are as follows:

1. Does the Debt Asset Ratio partially effect on Dividend policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017?
2. Does the Investment Opportunity Set partially effect on Dividend Policy in Consumer Goods Companies Companies listed on Indonesia Stock Exchange for the Period of 2013-2017?
3. Does the Return on Assets partially effect on Dividend Policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017?
4. Does the Debt Asset Ratio, Investment Opportunity Set and Return on Assets simultaneously affect Dividend Policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017?

1.4 Objective of The Research

Here are some objective of the research that I can make to solve the problem that've been found, which are:

1. To test and analyze the effect of Debt Asset Ratio partially to Dividend policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017.

2. To test and analyze the effect of Investment Opportunity Set partially to Dividend Policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017.
3. To test and analyze the effect of Return on Assets Ratio partially to Dividend Policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017.
4. To test and analyze Debt Asset Ratio, Investment Opportunity Set, and Return on Assets Ratio simultaneously affect Dividend Policy in Consumer Goods Companies listed on Indonesia Stock Exchange for the Period of 2013-2017.

1.5 Benefit of The Research

1.5.1 Theoretical Benefit

For theoretical purposes, this research provides information for future researchers and a guidance when conducting a research Effect of Debt Asset Ratio, Investment Opportunity Set and Return on Assets on Dividend Policy in Consumer Goods Companies. It also can be used as material for knowledge and comparison and as a reference for the same field of study.

1.5.2 Practical Benefit

For practical purposes, this research provides a useful information for future investors. The results of this study are expected to be used as material and guidance for making investment decisions in manufacturing companies listed on in Indonesia Stock Exchange (IDX).

1.6 System of Writing

To understand this report more clearly, the materials listed in this research paper are grouped into several sub chapters with systematic delivery as follows:

CHAPTER I : INTRODUCTION

It contains background, problem limitation, problem formulation, objective of research, benefits of the research such as theoretical benefit and practical benefit, and system of writing.

CHAPTER II : LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter contains theories in the form of definitions, the definitions taken from book citations relating to the preparation of thesis reports and some literature reviews related research. It contains theoretical background, previous research, hypothesis development, research.

CHAPTER III : RESEARCH METHODOLOGY

This chapter contains a research design population and sample, data collection method, operational variable definition and variable measurement and data analysis method.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter explains the analysis of the system proposed by using the flowchart and mind map of the system being implemented, as well as the detailed discussion of the final elicitation in the previous chapter, described in one by one by applying the concept after the proposed system. It

contains general view of “research object”, data analysis such as descriptive statistic, result of data quality testing, result of hypothesis testing and discussion.

CHAPTER V : CONCLUSION

This chapter contains conclusions, implication and recommendations relating to the analysis and optimization of systems based on those described in previous chapters.

