
Effect of Operating Cash Flows on the Amount of Dividend towards the Company

Galih Satrio Putra Prili¹

¹⁾ *University of Jember, Kalimantan St. No. 37, Krajan Timur, Sumbersari, Jember, 68121, East Java, Indonesia*
Email: galihatrio182@gmail.com

ARTICLE INFO

Article history:

Received: 4 January 2021

Revised: 9 February 2021

Accepted: 24 February 2021

Key words: *Dividends, cash flow, investors*

ABSTRACT

Every company that is listed on the Indonesia Stock Exchange (IDX) must have a different dividend policy as a return on funds provided by investors. This dividend policy includes distributing dividends distributing dividends or holding it for the progress of the company itself. The dividends that will be distributed later can be a benchmark for the company whether investors are interested or not. This operating cash flow is used as an independent variable and for the dependent variable, dividends are distributed for the period. The population in this study were 20 companies that were on the IDX from 4 kinds of sectors, namely food, banking, mining and also medicine. The method use later is descriptive statistical testing, classical assumption test and t test and f test. From the test results that have been tested, it is found that the operating cash flow has a significant effect on the company's dividend distribution.

1. INTRODUCTION

As the business world develops, the competition between companies is getting tighter. To deal with this, the company must prepare the best strategy to face other companies and compete in a healthy manner. We can see this strategy and read through financial reports, which in the financial statements reflect many things of the company. Starting from the profits generated, accounts payable, equity and so on. This certainly affects the amount of dividends that investors will get later.

Companies that have released their financial reports are usually listed on the Indonesian stock exchange (IDX). Where in the IDX the company receives capital that will be used by the company to advance the company and make a profit. In the IDX itself there are 716

companies from 9 sectors. As a form of compensation for the company to investors who have given their funds to the company, the company provides a share of the profits that the company receives from its activities, which is called dividends.

This dividend distribution is different from each company depending on the dividend policy taken. In dividend distribution, it is not certain that the companies that have large profits will distribute the most dividends and vice versa. The profit earned by the company is of course not only for shareholders but also for the progress of the company, such as if the company wants to create a new business, of course it also requires capital and this profit can be a source of capital for the new business. However, there are also companies that make it more important that dividend distribution be smoothed in order to attract interest from investors so that the

company's capital also increases again. That is one of the dividend policies carried out by companies which in essence want additional company capital to advance the company.

In addition, dividend distribution is also influenced by many factors, one of which is the company's liquidity. The company's liquidity can also be seen through the company's financial statements, which are published once a year. This liquidity position is reflected in the cash flows of the operating companies. From the company's cash flow statement, it can be seen about the company's ability to fulfill its obligations. Because it is not uncommon for companies not to distribute dividends because the profits earned are used to pay company obligations.

The researcher aims to analyze more deeply whether the operating cash flow affects the amount of dividends distributed by the company. The object of this research is the 20 companies listed on the IDX which come from 4 sectors, namely the food, medicine, banking, and mining sectors.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Dividend

Dividends are paid by the company to shareholders who represent the benefits of the capital they provide, whether direct or indirect (Syahrial 2007). Dividends are not always distributed annually or every month, it all depends on the dividend policy used by the company. The retained dividend is certainly used for the progress of the company, such as opening new branches or adding damaged production equipment and so on. The dividend policy is all managerial policies that are carried out to determine the amount of net profit which will later be distributed to company shareholders and how much net profit is retained for the progress of the company (Mardiyanto 2009). In determining dividend policy there are several theories taken to determine dividend policy. There are 3 theories, namely:

1. Dividend Irrelevance Theory
2. Bird in Hand Theory
3. Tax Preference Theory

In addition, there are several factors that affect dividend policy, namely: (1) Law, (2)

Liquidity Position, (3) Requirement for Debt Repayment, (4) Limitation in Debt Agreements, (5) Expansion Rate of Assets, (6) Level Profits, (7) Profit Stability, (8) Access to Capital Market, (9) Company Control, (10) Position of Shareholders as Tax Payments.

Financial Statements

Financial reports are all the information that the company presents, which is the main part of the company's business activities. This financial report serves as reliable information and is also an important element when making decisions (Hani 2015). This financial report includes an overview that describes the company's financial position, results of operations, cash flow and changes in the company's equity. The summary is made in a separate format (Samryn 2011).

Cash Flow Statement

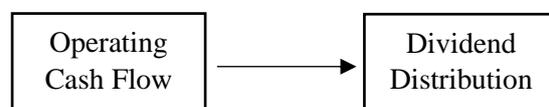
The cash flow statement is prepared using the income statement for the current year and a comparative balance sheet for two consecutive years (Samryn 2011). This cash flow statement contains an overview of cash disbursements and receipts from the operating, investing and financing activities groups.\

According to Brigham and Ehrhardt (2013) operating cash flow is defined as the difference between sales profit and after-tax cash operating expenses on operating income.

There are several hypotheses developed in this study to achieve the research objectives, namely:

There is a significant influence between operating cash flow on dividend distribution. There is no significant effect between current operations on dividend distribution. In the research conducted Sianipar (2016) there was no significant effect between operating flows on dividend distribution.

Of the two hypotheses, the conceptual picture is as follows references. Quotation should be maximally one paragraph and/ or the gist of the quoted sources.



3. RESEARCH METHOD

In this study I will examine the effect of cash flow (X) on dividend distribution (Y), with a quantitative paradigm using the statistical Package for the Social Science (SPSS) program.

The data used in this study used secondary data in the form of financial statements of 20 companies listed on the IDX from 4 sectors, namely, food, medicine, mining, and also banks.

4. RESULT AND DISCUSSION

Based on the results of the analysis that has been carried out on the independent variable, namely operating cash flow and the dependent variable of partial dividend distribution using SPSS, the following are the results obtained along with their discussion.

Table 1. (Appendix) shows that the significant value for the effect of operating cash flow on dividend distribution is $0.000 < 0.05$ and the Fcount value is greater than Ftable ($19.650 > 2.96$). From these results indicate that the operating cash flow variable has an effect on dividend distribution.

Table 2. shows the results of regression analysis are obtained where Tcount > TTable ($4.433 > 2.05553$) while the significance value is $0.000 < 0.05$. From these results, it means that operating cash flow has a significant effect on dividend distribution.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

From the results of the analysis that has been done above, the authors conclude that:

1. Simultaneously the operating cash flow variable has an effect on dividend distribution as indicated by the value of F-count greater than F-table and also with a smaller level of significance.
2. While the operating cash flow variable also has a significant effect on dividend distribution, which is aimed at the value of $T > T$ Table and also a smaller significance value.

It is the closing of the article which reflects the essence and reasoning of the research by the writer. It is also logically based on the evidence taken from, and presented by the writer in paragraphs. Implication, limitations, and suggestions are also presented in paragraphs without numbering.

REFERENCES

- Brigham, E. F., and M. C. Ehrhardt. 2013. *Financial management: Theory & practice*: Cengage Learning.
- Hani, S. 2015. *Technique of Financial Report Analysis*: Medan: Umsu Press.
- Mardiyanto, H. 2009. *Inti sari manajemen keuangan*: Grasindo.
- Samryn. 2011. *Pengantar Akuntansi: Mudah Membuat Jurnal Dengan Pendekatan Siklus Transaksi (Edisi 1)*. Jakarta: Rajawali Pers.
- Sianipar, M. 2016. *Pengaruh Laba Akuntansi dan Arus Kas Operasi Terhadap Pembagian Dividen Kas Pada Perusahaan Manufaktur Sektor Barang konsumsi yang Terdaftar di Bursa Efek Indonesia, Sekolah Tinggi Ilmu Ekonomi Eka Prasetya*.
- Syahrial, D. 2007. *Pengantar Manajemen Keuangan, edisi kedua*. Jakarta: MitraWacana Media.

APPENDIX

Table 1. Annova Results

| Model | | Sum of Squares | df | Mean Square | F |
|-------|------------|----------------|----|-------------|--------|
| 1 | Regression | 2.131E+26 | 1 | 2.131E+26 | 19.650 |
| | Residual | 1.952E+26 | 18 | 1.952E+26 | |
| | Total | 4.084E+26 | 19 | | |

Source: data processed, 2020

Table 2. Coefficient Results

| Model | Unstandardized Coefficients BSTD Error | | <i>Standardized Coefficients beta</i> | t | sig |
|-------------------|---|-----------|---|-------|------|
| 1 (Constant) | 3.435E+11 | 9.354E+11 | | .367 | .718 |
| Cash Flow 2019 | .609 | .137 | .722 | 4.433 | .000 |

Source: data processed, 2020