

FACTORS AFFECTING THE DIVIDEND PAYOUT RATIO OF AGRICULTURE AND MINING COMPANIES

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ABSTRACT

The main purpose of this research was to determine the effect of Cash Ratio (CR), Sales Growth (SG), and Investment Opportunity Set (IOS), on the Dividend Payout Ratio (DPR). This quantitative research used a sample of 18 agriculture and mining companies listed in Indonesia Stock Exchange (IDX) between 2013 and 2017. The data used in this research were secondary data such as financial statements and annual reports. Data analysis employed a panel data regression test with Eviews program version 10. The results of hypothesis testing show that cash ratio has a significant and positive effect on dividend payout ratio, but sales growth and investment opportunity set do not have a significant effect on dividend payout ratio. Meanwhile, the simultaneous hypothesis results show that cash ratio, sales growth, and investment opportunity set affect the dividend payout ratio. This study adds new independent variables that are different from the reference research, namely the cash ratio and investment opportunity set.

Keywords : : Cash Ratio, Sales Growth, Investment Opportunity Set, Dividend Payout Ratio

1. INTRODUCTION

In the competition of the business world today, a company is required to expand and develop its business to avoid being left behind. The steps taken will determine which direction it is to grow. Business development is one step a company must take to continue its existence. To develop its business, the capital a company will take is certainly not small in amount. To raise capital, a company may attract investors to invest in its business. The capital gained from this investment will later add to the existing capital to be used for performing the company's operating

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activities. Investors as the company's founders will undoubtedly expect a return from the company. Their main goal is to gain profits that may take the form of the difference between the share selling price and purchase price (capital gain) or dividend (dividend yield). The dividends paid will depend on the policies of each company.

Dividend policy often poses challenges to companies. Very often, management finds it difficult to decide whether to pay dividends or to retain earnings to reinvest in profitable projects.

Dividend policy is one of the most fundamental aspects that must be given considerable attention as dividends have special appeal to investors. Management is required to make an effective dividend policy to create a balance between the dividends paid in the present and growth in the future. One thing that often becomes a concern to companies paying dividends to investors is the amount of dividend to be paid to investors. Whether a dividend payout ratio is to be maintained or changed and investors' response to the stable dividend payment and the dividend payment that fluctuates according to the company's earnings are some examples of the wide-ranging dividend policy challenges a company must face.

The cash ratio is one of the factors that can influence the dividend payout ratio. The cash ratio indicates a company's ability to pay for its liabilities or debts that are due. A company that can settle its current liabilities or debts is considered liquid. The higher the cash ratio of a company, the greater the company's ability to settle its current liabilities. A higher cash ratio will assure investors of the company's ability to pay the dividends promised. The results of the research by Swastyastu, Yuniarta, and Atmadja (2014) show that cash ratio had a negative effect on dividend payout ratio. However, Hendrianto (2017) and Winarko (2017) proved otherwise.

Sales growth can also affect the dividend payout ratio. It reflects the success of past investments and is useful for forecasting future growth. Kesuma (2009) defines sales growth as an increase in sales from year to year or from time to time. Higher sales growth reflects higher income. An increase in a company's income

may signal investors that the company will be able to pay dividends. The results of the research by Gill (2010) found that sales growth did not have any effect on the dividend payout ratio. However, Poernawarman (2015) as well as Akmal, Zainudin and Yulianti (2016) show that sales growth had a positive effect on dividend payout ratio.

The investment opportunity set is another factor that can influence the dividend payout ratio. The investment opportunity set implies a company's investment or growth option. Companies with a high ability to grow or make investments most of the time require external funding to expand. Investors as funders certainly consider a company's probability of growing or investing to figure out whether it will be able to pay dividends in the future. The results of the research by Putri (2013) show that the investment opportunity set affected the dividend payout ratio. On the contrary, Artini (2016) and Cahyo (2012) found that the investment opportunity set did not affect the dividend payout ratio.

The agriculture and mining sector is one of the pillars of the Indonesian economy. This is evident from the significant contribution of the two sectors to national economic growth in 2016. Based on a report announced by the Central Statistics Agency (BPS), the agricultural sector contributed Rp. 1,669 trillion or 13.45% and the mining sector contributed Rp. 893.9 trillion or 7.2% of the total GDP. This is the background of the author to choose agricultural and mining companies listed on the Indonesia Stock Exchange as the subject of this study.

According to the description above, the problem formulated in this research is the following:

1. Does the Cash Ratio have a positive effect on the Dividend Payout Ratio of agricultural and mining companies listed on the Indonesia Stock Exchange in 2013 to 2017?
2. Does Sales Growth have a positive effect on the Dividend Payout Ratio of agricultural and mining companies listed on the Indonesia Stock Exchange in 2013 to 2017?

3. Does the Investment Opportunity Set have a positive effect on the Dividend Payout Ratio of agricultural and mining companies listed on the Indonesia Stock Exchange in 2013 to 2017?

The research that became the reference research in this study was the study conducted by Gill et al. (2010) with the research subject being companies engaged in the service and manufacturing sectors that are listed on the American Stock Exchange. The difference in this study compared to reference research is the independent variable used. Reference research uses profitability, tax, sales growth, DER, cash flow, and MTBV variables. Whereas in this study using the independent variable cash ratio, sales growth, and investment opportunity set. This study does not use the same independent variables as reference research because of the results of several variables that do not affect the dividend payout ratio. The reference study researched 266 companies listed in the United States in 2007, while this study examined agricultural and mining companies listed on the Indonesia Stock Exchange in the 2013-2017 period.

2. LITERATURE REVIEW

Dividend signaling theory describes that when a company announces increased dividend payment, the company has favourable future prospect. Bhattacharya (1979) assumes that: (1) investors are unaware of the information on a company's profitability; (2) the assets a company possesses may perpetually result in cash flows; (3) cash flows are appraised on a risk-neutral basis; (4) there is an urge for an agent to realize wealth; (5) the company has adequate investment opportunities, allowing all of its cash flows to be reinvested rationally; (6) no other source of information such as accounting statement is used and processed based on moral hazard.

According to the concept of the time value of money, the dividends paid in the present have a higher value than the expected capital gain in the future. This concept describes that the higher the dividend paid to a company, the stronger the investors' interest in the shares. This will result in an increased share price. In

other words, dividends can affect a company's share price. The market will react negatively if the dividend is lowered. A company that pays a smaller amount of dividend than that in previous periods is likely to face distress. This signal investors to shift their investments in other shares.

Miller and Modigliani state that a decreased dividend indicates that a company's future income will fall short of expectation. Gitman and Zutter (2015) state that this encourages investors to sell their shares, which eventually causes a fall in the company's share price.

Winarko (2017) examined the effect of independent variables cash ratio, debt-to-equity ratio, return on asset (ROA), and tax rate on dependent variable dividend payout ratio (DPR) in the companies listed on the Indonesia Stock Exchange. The results show that debt-to-equity ratio, cash ratio, and return on asset partially had a significant effect on dividend payout ratio while the tax rate did not have any significant effect on dividend payout ratio. The effect of cash ratio on dividend policy suggests that a company that intends to pay dividends must have a favorable cash position. Companies with favorable liquidity tend to pay dividends. If they can settle their current liabilities, they will also be able to pay dividends to investors.

Putri (2013) examined the effect of independent variables investment opportunity set, debt policy, and company size on dependent variable dividend policy in manufacturing companies listed on the Indonesia Stock Exchange (IDX). The results show that investment opportunity set had a significant, positive effect on DPR, and debt policy had a significant, negative effect on DPR. Meanwhile, company size had an insignificant, positive effect on DPR. This suggests that a company with good investment opportunities will be able to improve its production process, increase revenue, and can be expected to pay dividends in the future.

Gill's research (2010) describes that dividend is influenced by some variables, namely corporate profitability, cash flow, tax, sales growth, market-to-book value, and debt-to-equity ratio. That research studied 266 companies engaged in the services and manufacturing sectors listed on the U.S. Stock

Exchange. It was found that profitability and tax as a whole had a significant, positive effect on DPR. Variables sales growth and DER showed a significant, negative effect, while cash flow and market-to-book value showed no significant effect on DPR.

Cash ratio is one of the measures of liquidity ratio that shows a company's ability to pay its current liabilities using its cash (and cash equivalents, such as giro or other bank savings that can be withdrawn at any time). The higher the cash ratio, the better the company's ability to settle its current liabilities. This will allow investors greater confidence in the company's ability to pay the dividends promised. This is associated with the dividend signaling theory. A company sending a signal of its ability to pay its current liabilities will convince investors receiving the signal to make investments and purchase its shares, leading to a rising share price. The results of the research by Hendrianto (2017), Wicaksana (2012), and Winarko (2017) show that cash ratio affected dividend payout ratio. Based on the description above, the following hypothesis was formulated:

H1 : Cash ratio has a positive effect on the dividend payout ratio of agriculture and mining companies listed on the Indonesia Stock Exchange over the period 2013–2017.

A company needs to grow to maintain its position amidst development in the economic and industrial sectors. A company's growth is measurable by two indicators. The first one is sales growth, which sees a company's growth solely in the marketing aspect. The second is total asset growth.

Kesuma (2009) defines sales growth as an increase in sales from year to year or from time to time. A company with high sales growth will require more investments in multiple elements of the asset, be it fixed or current asset. The management should consider the right funding source for asset expenditure.

The relation between sales growth and dividend policy is strong. Big companies with better market access are supposed to pay a higher dividend to their shareholders. In other words, sales growth is positively related to the dividend payment. This is supported by the results of the research by Halim (2013), Poernawarman (2015) as well as Akmal, Zainudin, and Yulianti (2016),

which show that sales growth affects dividend payout ratio. Based on the description above, the following hypothesis was formulated:

H2: Sales growth has a positive effect on the dividend payout ratio of agriculture and mining companies listed on the Indonesia Stock Exchange over the period 2013–2017.

Investment opportunity set refers to investment opportunities in the future which represents the development of a company. Companies that generate greater cash but with limited investment opportunity will distribute a greater percentage of their cash to their shareholders, attracting investors who are in favor of a greater dividend. On the other hand, companies that generate smaller cash or no extra cash but with considerable investment opportunity will increase their earnings and share price, attracting investors who prefer capital gains.

Investment opportunity set, according to Myers (1977) in Sarmiento et al. (2014), is a component of corporate value resulted from a decision to invest in a project with positive net present value in the future. For one year, a company may pay zero dividends as it needs money to fund a good investment opportunity, but in the following year, the company may pay dividends in a large amount due to bad investment opportunities and no requirement to hold much money.

The higher the investment opportunity set, the more profitable investment opportunity a company has. This requires the company to have more money to fund the investment opportunity. This is supported by the results of the research by Putri (2013), Halim (2013), and Ahmed (2009), which show that investment opportunity set had a positive effect on dividend payout ratio. Based on the description above, the following hypothesis was formulated:

H3 : Investment opportunity set has a positive effect on the dividend payout ratio of agriculture and mining companies listed on the Indonesia Stock Exchange over the period 2013–2017

3. RESEARCH METHOD

The population in this research consisted of all agriculture and mining companies listed on the Indonesia Stock Exchange from 2013 to 2017 as included in the Indonesia Stock Exchange's website (www.idx.co.id). The sample was taken using the purposive sampling method. In general, the sampling criteria are as follows:

1. The companies were agriculture and mining companies listed on the Indonesia Stock Exchange (IDX) over the research period 2013–2017.
2. The agriculture and mining companies had issued and published their annual financial statements within the research period 2013–2017.
3. The agriculture and mining companies regularly paid dividends over the research period 2013–2017.

The population in this research consisted of 63 companies. A sample of 18 companies was taken based on the predetermined criteria. This research was conducted for five years, making up 90 data in total.

Table 1
Sample Selection

No.	Sampling Criteria	Size
1	The population of agriculture and mining companies listed on the Indonesia Stock Exchange over the period 2013–2017	63
2	Agriculture and mining companies that neither issued nor published annual financial statements over the period 2013–2017	(18)
3	Agriculture and mining companies that did not pay dividend regularly over the period 2013–2017	(27)
	Total Sample Companies	18
	Research Period (Year)	5
	Total Sample Data	90

Source: Processed by researchers

In this research, independent variables cash ratio, sales growth, and investment opportunity set, and dependent variable dividend payout ratio were

used. The formulae for calculating cash ratio, sales growth, investment opportunity, and dividend payout ratio are presented in Table 2.

Table 2
Variable Operationalisation

Variabel	Indikator	Skala
<i>Cash Ratio</i> (X1)	<i>Cash Ratio</i> $= \frac{\text{Cash} + \text{Equivalents}}{\text{Current Liabilities}}$	Rasio
<i>Sales Growth</i> (X2)	<i>Sales Growth</i> = $\frac{\text{Sales}_{t-1} - \text{Sales}_{t-2}}{\text{Sales}_{t-2}}$	Rasio
<i>Investment Opportunity Set</i> (X3)	<i>MTBV</i> = $\frac{\text{Market Value of Equity}}{\text{Book Value of Equity}}$	Rasio
<i>Dividend Payout Ratio</i> (Y)	<i>DPR</i> = $\frac{\text{Dividend per Share}}{\text{Earnings per Share}}$	Rasio

Source: Processed by researchers

This research employed panel data regression analysis. This research also used a descriptive statistical test and classical assumption test consisting of normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test.

In this research, the regression analysis used to figure out the effect of cash ratio, sales growth and investment opportunity set can be described by the following equation:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + e_{it}$$

Remarks:

i: Agriculture and mining companies listed on the IDX for the period 2013–2017

t: Observation year (2013-2017)

Y: Dividend payout ratio (DPR)

β_0 : Constant

β_n : Regression coefficient

X1: Cash ratio (CR)

X2: Sales growth (SG)

X3: Investment opportunity set (IOS)

e: Error term

4. RESULT AND DISCUSSION

To carry out the panel data regression analysis, the panel data regression model must be determined first. The panel data regression model was determined using two tests, namely the Chow test and the Hausman test. According to the results of the Chow test, the probability value of cross-section chi-square was 0.0529. This value is greater than the α value of 0.05. Hence, H_0 was accepted, and H_1 was rejected. The regression model chosen was, therefore, the common effect model. The Hausman test was to be carried out subsequently to select between the fixed effect model and the random effect model. However, the Chow test results showed that the most appropriate model to be applied in this research was the common effect model. Therefore, there was no need to proceed to the Hausman test (Gujarati, 2016).

Before proceeding to the hypothesis testing, a test to find out the existence of a violation of classical assumptions was carried out. The classical assumption testing consisted of several tests, namely the normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. The classical assumption test must be conducted when the panel data regression model was chosen is the common effect model (Gujarati, 2016).

The normality testing was conducted using the Jarque-Berra test by comparing the probability value obtained from the output histogram normality test with the significance level (α) of 0.05. According to the normality test results, the probability value was 0.000000. This value is smaller than 0.05, suggesting that the data was not normally distributed. Because the regression model data must be normally distributed, some corrections must be made to make the data normally distributed. In this case, 10 companies indicated as outliers were excluded from this research, reducing the total number of data from 90 to 40 (with only 8 companies left). After some outliers were excluded, the results of the normality test showed a probability value of 0.129013. This value is greater than 0.05, suggesting that the data was normally distributed. Thus, this research no longer faced any normality problem, and other classical assumption tests could be carried out.

A good regression model is one that is free of autocorrelation. To detect any autocorrelation, the Breusch-Godfrey serial correlation LM test was conducted. According to the results, the chi-square probability value was 0.8024, which was greater than the significance level (alpha) of 0.05. Thus, the regression model applied in this research was free of autocorrelation.

The multicollinearity test in this research was carried out with the aid of Eviews 10.0 through a correlation matrix. According to the results, the correlation coefficient between independent variables X1 (cash ratio), X2 (sales growth), and X3 (investment opportunity set) were below 0.8. This shows no multicollinearity problem in this research.

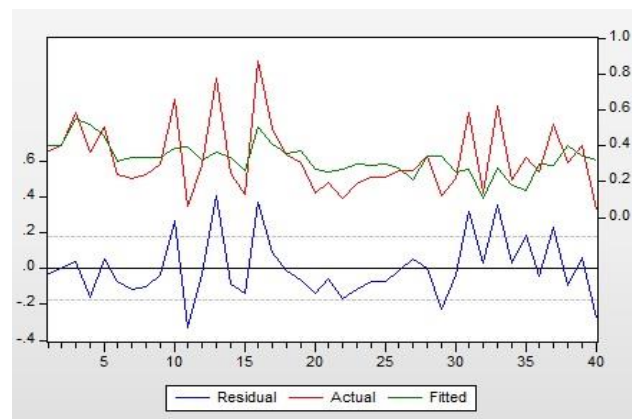


Figure 1. Results of Heteroscedasticity Test

According to the output, as presented in Figure 1, it can be concluded that there was no heteroscedasticity in the regression model as the residual moved constantly and formed no specific pattern. To prove this heteroscedasticity test result by looking into the residual pattern, a further heteroscedasticity test using the White Heteroscedasticity test was conducted.

According to the output, it can be concluded that there was no heteroscedasticity in the regression model applied because the chi-square probability value was greater than 0.05 (0.7166). Descriptive statistical analysis is a method of statistical analysis that is explained descriptively to provide research data overview. This analysis describes the statistical values of data in the forms of sum, mean, median, maximum and minimum values, and standard deviation.

The first independent variable in this research, cash ratio, had a mean of 0.662472, a median of 0.629039, a maximum value of 1.67084, a minimum value of 0.020064, and a standard deviation of 0.467477.

The second independent variable in this research, sales growth, had a mean of 0.06755, a median of 0.025119, a maximum value of 0.71041, a minimum value of -0.30263, and a standard deviation of 0.213125.

The third independent variable in this research, investment opportunity set, had a mean of 1.113424, a median of 1.049763, a maximum value of 2.762264, a minimum value of 0.210817, and a standard deviation of 0.580798.

The dependent variable in this research, the dividend payout ratio, had a mean of 0.326749, a median of 0.277602, a maximum value of 0.873912, a minimum value of 0.038961, and a standard deviation of 0.191832.

Table 3
Results of Panel Data Regression with Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.265386	0.070294	3.775368	0.0006
Cash Ratio	0.172558	0.062080	2.779611	0.0086
Sales Growth	-0.147483	0.156447	-0.942700	0.3521
Investment Opportunity Set	-0.038611	0.058421	-0.660906	0.5129

Source: Eviews 10.0 Output

In this research, the panel data regression analysis was used to figure out the effect of cash ratio, sales growth, and investment opportunity set on dividend payout ratio. According to the results of the panel data regression with the common effect model above, the following equation was obtained:

$$DPR_{it} = 0.265386_{it} + 0.172558CR_{it} - 0.147483SG_{it} - 0.038611IOS_{it} + e_{it}$$

A constant of 0.265386 shows that when variables cash ratio, sales growth, and investment opportunity set to have a value of zero, the variable dividend payout ratio will have a value of 0.265386. A regression coefficient of 0.172558

for the variable cash ratio shows that when the value of the cash ratio increases by 1, the value of the variable dividend payout ratio will increase by 0.172558 under the assumption that the values of other variables are held constant. The regression coefficient -0.147483 for variable sales growth shows that when the value of sales growth increases by 1, the value of the dividend payout ratio will decrease by 0.147483 under the assumption that the values of other variables are held constant. The regression coefficient of -0.038611 for variable investment opportunity set shows that when the value of investment opportunity set increases by 1, the value of the variable dividend payout ratio will decrease by 0.038611 under the assumption that the values of other variables are held constant.

Table 4
Regression Calculation Results

R-squared	0.222646	Mean dependent var	0.326749
Adjusted R-squared	0.157867	S.D. dependent var	0.191832

Source: Eviews 10.0 Output

According to the panel data regression calculation results presented in Table 4, the adjusted R² value was 0.157867, suggesting that independent variables cash ratio, sales growth, and investment opportunity set could explain variation in the dependent variable dividend payout ratio at 15.78%, while the remaining 84.22% was explained by variables outside this research.

Table 5
Regression Calculation Results

R-squared	0.222646	Mean dependent var	0.326749
Adjusted R-squared	0.157867	S.D. dependent var	0.191832
S.E. of regression	0.176040	Akaike info criterion	-0.541574
Sum squared resid	1.115640	Schwarz criterion	-0.372686
Log likelihood	14.83148	Hannan-Quinn criter.	-0.480510
F-statistic	3.436983	Durbin-Watson stat	1.684851
Prob(F-statistic)	0.026883		

Source: Eviews 10.0 Output

According to the panel data regression calculation results presented in Table 5, the probability value (F-statistic) was 0.026883, which was greater than the

alpha value of 0.05. Thus, H_0 was rejected, and H_1 was accepted. It can be concluded that independent variables cash ratio, sales growth, and investment opportunity set simultaneously affected the dependent variable dividend payout ratio.

Table 6
Regression Calculation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.265386	0.070294	3.775368	0.0006
Cash Ratio	0.172558	0.062080	2.779611	0.0086
Sales Growth	-0.147483	0.156447	-0.942700	0.3521
Investment Opportunity Set	-0.038611	0.058421	-0.660906	0.5129

Source: Eviews 10.0 Output

According to the panel data regression calculation results presented in table 6, it can be concluded as follows:

The t_{count} probability value of the cash ratio was 0.0086, which was smaller than the alpha value of 0.05. It can be concluded that this research accepted the first hypothesis (H_1), which states that the cash ratio has a positive effect on the dividend payout ratio of agriculture and mining companies listed on the Indonesia Stock Exchange over the period 2013–2017.

The t_{count} probability value of sales growth was 0.3521, which was greater than the alpha value of 0.05. It can be concluded that this research rejected the second hypothesis (H_2), which states that sales growth has a positive effect on the dividend payout ratio of agriculture and mining companies listed on the Indonesia Stock Exchange over the period 2013–2017.

The t_{count} probability value of the investment opportunity set was 0.5129, which was greater than the alpha value of 0.05. It can be concluded that this research rejected the third hypothesis (H_3), which states that investment opportunity set has a positive effect on the dividend payout ratio of agriculture

and mining companies listed on the Indonesia Stock Exchange over the period 2013–2017.

The results of the testing on the variable cash ratio in this research show that the cash ratio affected the dividend payout ratio. This shows that the greater the cash ratio of a company, the greater the company's ability to settle its current liabilities, and the more convinced the investors are about the company's ability to pay the dividends promised. The dividend signaling theory states that investors will use the signal sent by a company as an indicator that the company has positive financial performance prospects in the future. Cash Ratio is a measure of the liquidity ratio which is the company's ability to meet short-term obligations through some cash and cash equivalents owned by the company. This ratio illustrates the company's true ability to pay off its current liabilities that will soon mature using existing cash or cash equivalents. The higher Cash Ratio shows the company's cash ability to fulfill its short-term obligations. A high cash ratio may serve as a guarantee that a company will pay dividends, assuring investors to invest in and purchase the shares of the company. These results are consistent with the results of the research by Hendrianto (2017) and Winarko (2017) which show that cash ratio affected the dividend payout ratio. However, they were different from the results of the research by Swastyastu, Yuniarta and Atmadja (2014) which state that cash ratio did not have any effect on dividend payout ratio.

Sales Growth shows the growth of the company in a certain period which is considered as the development of the company's business. Sales Growth is widely used to measure how much growth in a company. The number of a company's Sales Growth will affect the number of funds needed for operations or investment activities. In dividend distribution decisions, it is also necessary to consider the company's sales problem. A company that is in an industry that has a high growth rate, must provide sufficient capital to finance the company. Fast-growing companies tend to be able to distribute higher dividends. If the company focuses more on company growth, the need for funds will be higher which forces management to pay low or no dividends. The results of the testing on the variable sales growth in this research show that sales growth did not have any effect on the

dividend payout ratio. This shows that a higher sales growth rate than the increase in expenses, which leads to an increase in the company's earnings, does not guarantee dividend payment to investors. Earnings growth is directly proportionate with the expenses a company must incur. As a result, companies prefer retaining their earnings as retained earnings. These results are consistent with the results of the research by Gill et al. (2010), which state that sales growth did not have any effect on the dividend payout ratio. However, Akmal, Zainudin and Yulianti (2016) as well as Poernawarman (2015) state that sales growth affected dividend payout ratio.

Investment Opportunity Set is the extent of investment opportunities for companies in the future, which will represent the development of these companies. Companies that generate a lot of cash but have limited investment opportunities will distribute a large percentage of cash to shareholders to attract groups of investors who prefer high dividends. While companies that generate little or no cash surplus but have large investment opportunities will increase earnings and stock prices so that it attracts groups of investors who prefer capital gains. The results of the testing on the variable investment opportunity set in this research shows that the investment opportunity set did not have any effect on the dividend payout ratio. This shows that the investment opportunity seen from a company's ability to secure and manage cash bears no relation with dividend policy. These results are consistent with the results of the research by Artini (2016) and Cahyo (2012), which state that the investment set did not have any effect on the dividend payout ratio. However, Putri (2013) found that the investment opportunity set affected the dividend payout ratio.

5. CONCLUSION

It is concluded that the independent variable cash ratio (CR) partially affected the dividend payout ratio, the independent variable sales growth (SG) partially did not affect the dividend payout ratio and the independent variable investment set (IOS) partially did not affect dividend payout ratio.

From the F test, the probability value (F-statistic) obtained was 0.026883, which was smaller than 0.05. Cash ratio, sales growth, and investment opportunity set, thus, simultaneously affected the dividend payout ratio.

From the R test, the adjusted R-square value obtained was 0.157867 or 15.78%. This shows that 15.7% of the variable dividend payout ratio could be explained by the variables cash ratio, sales growth, and investment opportunity set, while the remaining 84.22% was explained by variables outside this research.

This research had the following limitations: there were many agriculture and mining companies that did not pay dividend consistently over the research period; the data used contained outliers, requiring the exclusion of some data and causing a reduction in the research sample size; and the independent variables used in this research were only able to explain the dependent variables at a low level (15.78%).

According to the research results, the following suggestions are offered. For future researchers who intend to study the dividend payout ratio of agriculture and mining companies, it is suggested to add or replace the existing variables with variables that better explain corporate values such as profitability and leverage and to have a longer research period for better results. For the companies, the information that cash ratio affected the dividend payout ratio can be considered in decision making to improve their financial performance and to attract investors to invest in them. For investors, it was proved that the cash ratio affected the dividend payout ratio, so attention should be paid to this variable when assessing a company. This variable can also serve as consideration or reference in investment decision making.

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