THE EFFECT OF MANAGERIAL OWNERSHIP, RETURN ON ASSETS AND DEBT TO EQUITY RATIO ON DIVIDEND PAYOUT RATIO

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ABSTRACT

This purpose of this study is to examine and analyze the effect of managerial ownership, return on assets and debt to equity ratio on dividend payout ratio. The population of this study are companies in LQ 45 on the Indonesia Stock Exchange. This study uses multiple regression models as data analysis methods. Based on the results of testing hypotheses on empirical data, this study concludes that managerial ownership has a significant influence on dividend payout ratio. Whereas return on assets and debt to equity ratio do not have a significant effect on dividend payout ratio.

Keywords : Managerial ownership, return on asset, debt to equity ratio, dividend payout ratio.

1. Introduction

Business competition that occurs at this time makes every company must do a good strategic planning to improve performance so that the company's goals are achieved. The main purpose of a company is to maximize the value of the company for the prosperity of shareholders. A high return on investment reflects prosperity for shareholders and also shows increased corporate value (Hery, 2017: 2).

Dividend policy is an integral part of corporate funding decisions. The dividend payout ratio determines the amount of profit retained in the company as a source of funding. However, holding back current profits in larger amounts in the company also means less money will be available for current dividend payments. So, the main aspect of the company's dividend policy is to determine the right profit allocation between dividend payments and the addition of company retained earnings (Van Horne & Wachowicz, 2007: 270).

In various levels, academic research has documented support for the statement that dividends are associated with several company characteristics such as company size, profitability, opportunities for growth, maturity, leverage, equity ownership, and incentive compensation (Baker, 2009: 65).

The ownership structure is believed to have the ability to influence the performance of a company. Managerial ownership structure can be explained through two perspectives, namely the agency approach and the imbalance approach. The agency approach considers the managerial ownership structure as an instrument or tool used to reduce agency conflict among several claims against a company. An information imbalance approach views managerial ownership structures as a way to reduce information imbalances through insider and outsider (Subagyo et al, 2018: 46).

Profitability is the ability in a business to generate profits continuously. The owner or equity investor focuses on the profitability of the company. If the business continues to suffer losses, there is a high risk that the company will not be able to operate from time to time because its working capital will eventually run out (Juan, S. & Agtarap, A. 2007: 335). Profitability also reflects the company's ability to generate profits for shareholders. The higher profitability ratio

reflects a high return on investment also for shareholders, so it will attract investors to invest (Hery, 2017: 3). Asset turnover ratio is defined to measure the efficiency of a company in managing and utilizing its assets. The higher the turnover ratio, the more efficient the performance of management and utilization of assets. The return on asset ratio is the main measure of profitability and overall operational efficiency of the company. This shows the interaction between profitability ratios and activities (Khan & Jain, 2008: 31).

The relationship between debt and equity is referred to as gearing or leverage. Management must ensure that the balance between debt and equity financing is appropriate. If there is too much debt, a company is said to be very high in financing. A company with financing from a low creditor is financed primarily by its shareholders. The higher the level of debt associated with equity, the greater the potential risk for shareholders not to receive dividends or return the capital they have invested. Interest on debt must be paid before dividends, and all loans must be repaid before being available to equity shareholders (Vause, 2005: 206)

The purpose of this study is to examine and analyze the effect of managerial ownership, return on assets and debt to equity ratio on dividend payout ratio. The population of this study are companies in LQ 45 on the Indonesia Stock Exchange. This study uses multiple regression models as data analysis methods. Based on the results of testing hypotheses on empirical data, this study concludes that managerial ownership has a significant influence on dividend payout ratio. Whereas return on assets and debt to equity ratio do not have a significant effect on dividend payout ratio. The next parts of this paper are organized into the four sections . the second section presents theoriticals framework and hypothesis development. The third on describes research method. The fourth one displays results and discussion the fifth one shows conclusion and recommendations.

2. Conseptual Framework and Hypothesis Development

2.1 The Effect of Managerial Ownership on Dividend Payout Ratio

Many companies operate a share incentive plan (SIP). This gives all employees the opportunity to own shares in their company. Other companies offer selected employees, as gifts for the past or incentives for future performance, the right to buy shares at favorable prices. Potential rewards for individuals can be significant, and this is expected to ensure the best loyalty and performance (Vause, 2005: 75).

The ownership structure in a company will have different motivations in terms of overseeing or monitoring the company and its management and board of directors. Ownership structure is believed to have the ability to influence the course of the company which can later affect the performance of a company. Managerial ownership structure can be explained through two perspectives, namely the agency approach and the imbalance approach. The agency approach considers the managerial ownership structure as an instrument or tool used to reduce agency conflict among several claims against the company. The information imbalance approach views the managerial ownership structure mechanism as a way to reduce information imbalance between insiders and outsiders through information disclosure within the company (Subagyo et al, 2018: 46)

2.2 The Effect of Return On Assets on Dividend Payout Ratio

The profit margin for return on assets shows the ability of a company to use its assets to generate profits for a certain level of sales. Asset rotation shows the company's ability to generate sales from a certain level of investment in assets. Asset turnover ratio shows the ability of a company to use assets to generate sales, and profit margins for return on assets show the company's ability to use assets to generate profits. The product of two ratios is return on assets, showing the

ability of a company to use assets to generate profitability so that it can be shared with shareholders (Wahlen et al, 2018: 206).

Profit ratio analysis aims to find out how much the company is able to create profits (profit) from the management of its business. The ability to pay cash dividends is also determined by the performance of this profitability ratio. It is impossible for a company that does not profit to be able to pay cash dividends to its shareholders (Rahadjo, 2006: 112).

2.3 The Effect Of Debt To Equity Ration on Dividend Payout Ratio

The debtholders will receive a fixed payment, and that will come before the shareholders receive anything. Also, if the company goes bankrupt, the debtholders must be paid off before shareholders get anything (Brigham and Houston, 2009: 455).

The higher the leverage, the greater the proportion of money borrowed to "own" money companies. When the inevitable recession occurs, the company does not have cash reserves and debt capacity to survive. The company reduces its dividends but may have to withhold distribution until liquidity issues and operations are completed (Glantz, 2003: 117).

3. Research Method

This section explain three things. The first thing is population dan sampling method. The second one is research variables. Last one is is method of data analysis.

3.1 Population, Sample and Sampling Method

Population oh this study is LQ 45 in 2013 – 2016 in Indonesia Stock Exchange. LQ 45 consists of companies that have blue chips incorporated in the Indonesian Stock Exchange. The LQ 45 stock was taken as the research object because as described above, LQ 45 companies are companies with large capitalization rates and market leaders, so that firm size and investment opportunity are large and good companies so that firm size and investment opportunity are not included in the independent variable. Based on this formula, the number of firms as samples representing the population is 32 firms.

3.2 Research Variables

Variables used in this study contain one dependent and three independent variables. Below is the information related to variabels used:

1. Dividend Payout Ratio (DPR) in this study becoming dependent variabels is measure by dividend per share / earning per share
2. Managerial Ownership in this study are measured by all stock managerial owned / all stock in company
3. Return on Asset and Debt to Equity Ratio are measured by return on asset ratio and debt to equity ratio

4. Method of Data Analysis

Method of data analysis of this study is regression model with panel data, this model applies ordinary least square (OLS) as method of estimation. Regression model, moreover, can be seen in the second equation shown below.

$$DPR = \beta_0 + \beta_1 KEPMEN + \beta_2 ROA + \beta_3 DER + e \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

As consequene of using OLS, this regression model must complies with a set of tests related classical assumptions consisting of normality, multicollinearity, heteroskedasticity, and

autocorrelation. Jarque-Bera test is done to prove normality of residuals, variance inflation factor value of each independent variabel is used to detect the absence of multicollinearity and White test is done to prove heterokedasticity.

5. Results and Discussion

This section displays six points. The first point is the results of descriptive statistics of variabels used in this study. The second one is the test results of classical assumptions of regression model. The third one is the estimation results of regression model. The fourth one is the test results of hypothesis. The fifth one is discussion. The sixth one is managerial implication.

5.1 The results of descriptive statistics

Statistics used cover the number of observation (N), value of mean, maximum, minimum and standard deviation of research variabels. This information, moreover, can be seen in Table 1, Table 2 and Table 3.

Table 1
Descriptive Statistics of Managerial Ownership

No	CODE	KEPMEN			
		2013	2014	2015	2016
1	ADRO	0,24%	0,26%	11,44%	0,07%
2	AKRO	13,09%	12,46%	12,21%	21,20%
3	ASII	21,20%	0,13%	26,48%	0,21%
4	BBCA	8,21%	0,04%	0,06%	4,27%
5	BBNI	12,10%	9,42%	4,32%	8,22%
6	BBTN	18,20%	0,20%	8,21%	0,00%
7	BMRI	12,21%	8,54%	12,10%	0,00%
8	EXCL	0,00%	0,00%	0,00%	0,00%
9	GGRM	17,83%	12,10%	8,21%	68,00%
10	INCO	31,13%	34,50%	4,27%	12,47%
11	INDF	21,20%	12,10%	21,20%	12,21%
12	JSMR	31,30%	15,12%	4,28%	0,24%
13	LPPF	18,20%	13,42%	13,83%	13,22%
14	LSIP	0,04%	0,04%	0,05%	0,05%
15	MNCM	33,50%	34,20%	34,21%	32,20%
16	MYRX	8,21%	15,15%	12,30%	12,30%
17	PGAS	11,43%	8,21%	15,15%	17,72%
18	PPRO	21,60%	28,23%	28,23%	28,23%
19	PTBA	22,23%	22,23%	24,23%	24,23%
20	PTPP	27,92%	18,20%	73,00%	0,00%
21	PWON	0,05%	0,05%	0,05%	0,05%
22	SCMA	0,03%	0,03%	0,03%	0,03%
23	SMGR	5,40%	3,20%	18,21%	20,54%
24	SMRA	0,20%	0,02%	0,01%	0,03%
25	SRIL	0	0	0	0

Table 1

Descriptive Statistics of Managerial Ownership

No	CODE	KEPMEN			
		2013	2014	2015	2016
26	SSMS	12,10%	12,10%	12,10%	12,10%
27	TLKM	38,72%	31,21%	51,00%	71,00%
28	BDSE	12,31%	12,31%	9,86%	9,86%
29	UNTR	18,20%	28,81%	31,21%	30,21%
30	UNVR	34,20%	34,21%	32,20%	11,43%
31	WIKA	0,22%	0,03%	0,32%	0,03%
32	WSKT	3%	3%	3%	3%
Minimum		0,00%	0,00%	0,00%	0,00%
Maximum		38,72%	34,50%	73,00%	71,00%
Mean		14,20%	11,55%	14,74%	12,91%

Table 2

Decriptive Statistics of Return On Asset

NO	CODE	ROA			
		2013	2014	2015	2016
1	ADRO	3,96%	3,99%	6,30%	2,90%
2	AKRO	8,60%	8,00%	7,56%	26,00%
3	ASII	12,21%	2,98%	27,00%	3,66%
4	BBCA	4,46%	2,57%	2,86%	4,09%
5	BBNI	6,47%	5,50%	4,20%	5,01%
6	BBTN	10,46%	3,50%	4,40%	1,10%
7	BMRI	6,80%	5,20%	6,70%	1,05%
8	EXCL	1,61%	0,77%	0,72%	-0,04%
9	GGRM	10,17%	6,40%	4,57%	41,60%
10	INCO	54,95%	40,22 %	4,05%	8,20%
11	INDF	30,52%	6,40%	27,10%	7,50%
12	JSMR	31,21%	9,27%	4,10%	3,88%
13	LPPF	11,20%	9,00%	9,10%	8,63%
14	LSIP	2,50%	2,62%	2,63%	2,62%
15	MNCM	32,00%	33,32 %	34,40%	31,35%
16	MYRX	32,97%	43,96 %	43,96%	43,96%
17	PGAS	6,10%	5,00%	9,38%	10,00%
18	PPRO	76,92%	21,98 %	32,97%	43,96%
19	PTBA	43,96%	21,98	21,98%	32,97%

Table 2

Decriptive Statistics of Return On Asset

NO	CODE	ROA			
		2013	2014	2015	2016
			%		
20	PTPP	12,90%	11,08 %	45,80%	-1,44%
21	PWON	32,97%	21,98 %	21,98%	21,98%
22	SCMA	21,98%	32,97 %	32,97%	43,96%
23	SMGR	54,95%	21,98 %	21,98%	32,97%
24	SMRA	3,06%	2,25%	2,05%	2,42%
25	SRIL	32,97%	32,97 %	43,96%	54,95%
26	SSMS	43,96%	32,97 %	21,98%	32,97%
27	TLKM	41,20%	25,00 %	41,50%	44,10%
28	BDSE	54,95%	32,97 %	32,97%	43,96%
29	UNTR	10,37%	13,11 %	21,86%	15,50%
30	UNVR	65,93%	32,97 %	21,98%	32,97%
31	WIKA	43,96%	65,93 %	32,97%	21,98%
32	WSKT	54,95%	32,97 %	32,97%	21,98%
Minimum		1,61%	0,77%	0,72%	-1,44%
Maximum		76,92%	65,93 %	45,80%	54,95%
Mean		26,91%	18,49 %	19,65%	20,21%

Table 3

Descriptive Statistics of Debt to Equiy Ratio

NO	CODE	DER			
		2013	2014	2015	2016
1	ADRO	7,26%	10,20%	11,44%	11,44%
2	AKRO	50,00%	45,00%	12,21%	12,21%
3	ASII	59,11%	6,62%	26,48%	26,48%
4	BBCA	15,00%	5,52%	0,06%	0,06%

Table 2

Decriptive Statistics of Return On Asset

NO	CODE	ROA			
		2013	2014	2015	2016
5	BBNI	34,50%	27,22%	4,32%	4,32%
6	BBTN	57,00%	6,91%	8,21%	8,21%
7	BMRI	36,80%	20,40%	12,10%	12,10%
8	EXCL	1,50%	0,50%	0,00%	0,00%
9	GGRM	56,00%	33,20%	8,21%	8,21%
10	INCO	32,97%	101,52 %	4,27%	4,27%
11	INDF	64,44%	33,76%	21,20%	21,20%
12	JSMR	87,16%	53,00%	4,28%	4,28%
13	LPPF	57,70%	52,44%	13,83%	13,83%
14	LSIP	5,26%	5,59%	0,05%	0,05%
15	MNCM	91,56%	93,97%	34,21%	34,21%
16	MYRX	32,97%	32,97%	12,30%	12,30%
17	PGAS	30,30%	18,93%	15,15%	15,15%
18	PPRO	32,97%	43,96%	28,23%	28,23%
19	PTBA	32,97%	32,97%	24,23%	24,23%
20	PTPP	67,10%	57,00%	73,00%	73,00%
21	PWON	54,95%	54,95%	0,05%	0,05%
22	SCMA	21,98%	32,97%	0,03%	0,03%
23	SMGR	32,97%	32,97%	18,21%	18,21%
24	SMRA	6,73%	3,00%	0,01%	0,01%
25	SRIL	32,97%	21,98%	0	0
26	SSMS	43,96%	43,96%	12,10%	12,10%
27	TLKM	189,09 %	175,41 %	51,00%	51,00%
28	BDSE	21,98%	21,98%	9,86%	9,86%
29	UNTR	56,00%	72,59%	31,21%	31,21%
30	UNVR	21,98%	21,98%	32,20%	32,20%
31	WIKA	21,98%	21,98%	0,32%	0,32%
32	WSKT	32,97%	43,96%	3%	3%
Minimum		1,50%	0,50%	0,40%	0,10%
Maximum		189,09 %	175,41 %	356,33%	317,58%
Mean		43,44%	38,42%	54,09%	49,14%

Table 4
Descriptive Analytical of Dividend Payout Ratio

NO	CODE	DPR			
		2013	2014	2015	2016
1	ADRO	18,00%	18,33%	28,40%	12,60%
2	AKRO	32,86%	31,28%	30,45%	47,08%
3	ASII	44,77%	13,55%	49,82%	14,53%
4	BBCA	20,73%	7,47%	9,58%	19,14%
5	BBNI	29,97%	25,01%	19,93%	24,96%
6	BBTN	41,85%	14,27%	19,99%	0,00%
7	BMRI	30,00%	25,00%	30,00%	0,00%
8	EXCL	0,05%	0,00%	0,00%	0,00%
9	GGRM	35,56%	28,67%	23,92%	74,93%
10	INCO	82,03%	62,93%	18,85%	32,12%
11	INDF	46,32%	29,18%	45,56%	30,30%
12	JSMR	52,32%	34,45%	19,91%	15,52%
13	LPPF	42,65%	34,28%	34,30%	34,28%
14	LSIP	7,43%	7,89%	9,35%	9,21%
15	MNCM	60,01%	60,86%	62,59%	59,61%
16	MYRX	32,97%	54,95%	50,24%	53,77%
17	PGAS	28,31%	24,86%	34,73%	35,22%
18	PPRO	43,96%	54,95%	76,92%	43,96%
19	PTBA	43,96%	43,96%	54,95%	43,96%
20	PTPP	51,23%	42,02%	112,36%	-175,75%
21	PWON	43,96%	54,95%	65,93%	21,98%
22	SCMA	32,97%	32,97%	54,95%	21,98%
23	SMGR	57,30%	60,83%	64,36%	67,90%
24	SMRA	13,87%	6,93%	6,92%	6,94%
25	SRIL	96,15%	99,69%	32,97%	32,97%
26	SSMS	60,83%	82,03%	89,09%	96,15%
27	TLKM	70,77%	67,19%	73,97%	82,51%
28	BDSE	21,98%	21,98%	21,98%	21,98%
29	UNTR	39,74%	51,50%	66,89%	51,53%
30	UNVR	32,97%	32,97%	43,96%	32,97%
31	WIKA	71,43%	74,96%	78,49%	82,03%
32	WSKT	85,56%	89,09%	92,62%	60,83%
Minimum		0,05%	0,00%	0,00%	-175,75%
Maximum		96,15%	99,69%	112,36%	96,15%
Mean		42,89%	40,28%	44,50%	29,85%

6. The test results of classical assumption of regression model.

The below table displays the results of classical assumptions. Based on information in this table, it can concluded two things. Firstly, residuals follow normal distribution (see interpretation in Panel A). Secondly multicollinearity, heteroskedasticity, and autocorrelation do not exist (see interpretation in Panel B, C, and D). These results support are required condition when OLS is used as the estimation method of regression model.

Table 5. Results of Classical Assumption Test and Their Interpretation

Panel A. The Results of Normality Test by Jarque Bera Test

	Residual	Interpretation
Jarque Bera Test	2,93	Residuals are normally distributed because shows that the Jarque-Bera value is 2.93 which is smaller than the value in the chi square table which is 7.81, which means that the data that is owned already has a normal distribution.

Source: Modified output of Eviews 8

Panel B. The Results of Heteroskedasticity Test

	Residual	Interpretation
Obs*R-squared	3,975	The results of heteroscedasticity test showed the Obs value * R-squared of 3.97 and the probability value of F (9) that is 0.9130 showed a value greater than the error rate of 5% (0.05), it can be concluded that there were no symptoms of heteroscedasticity in the regression model.
Prob. Chi Square	0,9130	

Source :Modified output of Eviews 8

Panel C. The Results of Multicollinearity Test

	Residual	Interpretation
KEPMEN	0,070456	The results of heteroscedasticity test showed the Obs value * R-squared of 3.97 and the probability value of F (9) that is 0.9130 showed a value greater than the error rate of 5% (0.05), it can be concluded that there were no symptoms of heteroscedasticity in the regression model.
ROA	0,017712	
DER	0,005233	

Source :Modified output of Eviews 8

Panel D. The Results of Autocorellation Test

	Residual	Interpretation
Durbin-Watson statistic	1,778357	Based on the table, df1 = 182, df2 = 2, it is found that the value of dU (Upper Durbin Watson) is 1.7432, and the 4-dU value is 2.257. The Durbin-Watson value statistic from the calculation was obtained at 1.7783, which is in the range dU- (4-dU), which means that this study did not show symptoms of autocorrelation. So the hypothesis that there is no positive and negative autocorrelation in the regression model cannot be rejected.

Source: Modified output of Eviews 8

7. The test results of panel data

The table displays the results of test of data panel which is to determine are this study can use fixed effect model and not random effect model

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	25.896885	3	0.0000

Based on data processing with the Hausman Test, a significance value of 0,000 is smaller than 0.05. Thus the data in this study can be processed using the fixed effect model (normal test) and not by random effect models.

8. The estimation results of regression model

The next step after the test of classical assumption achieved is estimating regression model . the estimation results can be seen in below table.

Dependent Variable: DPR

Method: Panel Least Squares
Date: 12/18/17 Time: 19:21
Sample: 2013 2016
Periods included: 4
Cross-sections included: 32
Total panel (balanced) observations: 128

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.176341	0.042154	4.183285	0.0001
KEPMEN	1.300275	0.471649	2.756872	0.0070
ROA	-0.089815	0.211695	-0.424266	0.6724
DER	0.136195	0.113699	1.197856	0.2340

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.711857	Mean dependent var	0.393794
Adjusted R-squared	0.606514	S.D. dependent var	0.317009
S.E. of regression	0.198855	Akaike info criterion	-0.165040
Sum squared resid	3.677517	Schwarz criterion	0.614812
Log likelihood	45.56258	Hannan-Quinn criter.	0.151817
F-statistic	6.757530	Durbin-Watson stat	1.510979
Prob(F-statistic)	0.000000		

9. Test results of hypothesis

To test each hyphotesis metioned in Section II , probability value of t-statistics for KEPMEN, ROA and DER is compared with value of significance of 5%. If probability value is lower than the value significance level, alternative hyphotesis is accepted. If the probability value is the same as or greater than value f significance level, null hyphotesis is accepted so that no effect f explanatory variable on firm value occurs.

The first hypothesis in this study states that there is an influence of managerial ownership on dividend payout ratio. It can be seen in table the probability value of t-statistics for managerial ownership (KEPMEN) is 0,0070. This means this value is lower than 5% significances. Therefore, the first hyphothesis is accepted.

The second hyphotesis in this study states that there is an influence of return on asset on dividend payout ratio. It can be seen in table the probability value of t-statistics for return on asset (ROA) is 0,6724. This means this value is above than 5% significances. Therefore, the second hyphothesis is rejected.

The second hyphotesis in this study states that there is an influence of debt to equity ratio on dividend payout ratio. It can be seen in table the probability value of t-statistics for debt to equity ratio is 0,2340. This means this value is above than 5% significances. Therefore, the second hyphothesis is rejected.

10. Discussion

Managerial ownership is measured by the percentage of shares held by the manager. The tool for measuring manager's ownership can be measured by the percentage of share ownership by the company manager over the company that relates. Based on the research conducted, it was found that there was a statistically significant managerial ownership effect on the dividend payout ratio.

Positive return on assets (ROA) shows that the total assets used for the company's operations are able to provide profits for the company. Conversely, if the negative ROA shows the total assets used do not provide profits, but provide losses. The greater the ROA shows the better the performance of the company, because the return on investment (return) is greater. Thus increasing ROA will increase dividends (dividend cash). But in this study based on the hypothesis test it was found that there was no statistically significant effect of return on assets on dividend payout ratio.

The large proportion of debt in the capital structure means that the company has a large number of liabilities. The amount of the debt burden will affect the net income because it is divided into dividends. Based on the hypothesis test it was found that there was no statistically significant effect of the debt to equity ratio to the dividend payout ratio.

11. Conslusion and Recommendations

This purpose of this study is to investigate the effect of managerial ownership, return on asset and debt to equity ratio on dividend payout ratio. Based on the test on the emprical data, t can be summarized three things that there is a statistically significant effect of managerial ownership on the dividend payout ratio. Not yet the total effect because there are other variables that affect the amount of dividend payout ratio such as firm size, investment opportunity and coporate tax. This is in line with the phenomena that have been stated at the beginning of the study, as stated by A. Sakir Muhammad Fadli and Suroto that ownership has an influence on the dividend payout ratio.

Secondly, there is no statistically significant effect of return on assets on dividend payout ratio. Not yet the total effect because there are other variables that affect the amount of dividend payout ratio such as firm size, investment opportunity and corporate tax. This is in line with the phenomenon that was stated at the beginning of Atmoko's research, Y that return on assets has no effect on dividend payout ratio.

Finally, there is no statistically significant influence from the debt to equity ratio to the dividend payout ratio. Not yet the total effect because there are other variables that affect the amount of dividend payout ratio such as firm size, investment opptunity and corporate tax. This is in line with the phenomena that have been stated at the beginning of the Druce study, E. that the debt to equity ratio does not have a significant effect on the dividend payout ratio.

For the next researchers are suggested for conduct research on companies in specific industrial fields, to be able to see the influence of various other variables on the dividend payout ratio.

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