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Effect of Debt to Equity and Earning Per Share on Dividend Policy in Property and Real Estate Companies

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***Abstract:** This study aims to determine and analyze effect of debt to equity and earning per share on dividend policy in Property and Real Estate Companies. This study uses the design of causal associative research. Population in this study is Property and Real Estate Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. Sampling technique is taken using a purposive sampling technique. The number of observations in the study is 5 years multiplied by 11 companies according to the criteria, the observations in this study is 55. Data analysis in this study used panel data multiple regression analysis. The results show that debt to equity has a positive and significant effect on dividend policy in Property and Real Estate Companies. Earning per share has a positive and significant effect on dividend policy in Property and Real Estate Companies.*

***Keywords:** Debt to Equity, Earning Per Share, Dividend Policy.*

1. INTRODUCTION

In the current era of globalization, the growth conditions of a country's economy are increasing and tight. The competition that occurs in the capital market is an opportunity and also a challenge for every entrepreneur to develop his business. The growth and development of a company cannot be separated from investors who invest their funds to get fresh funds in the capital market. For a company, the capital market has a function as a potential source of capital in ensuring the growth of a

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company. However, regardless of the needs of the company as a party that needs capital, basically, the first goal of an investor in investing his funds in a company is to obtain profits in the form of returns in the form of dividend yields or capital gains (Irham, 2011). The total amount of profit that will be generated by a company is one of the determining factors that will be taken into consideration in paying dividends by a company. The dividends that the company will give to its investors are different, this is determined based on the dividend policy owned by each company. Investors generally want dividend distributions that are relatively stable or tend to increase, where the stability of dividend distribution can foster investor confidence in a company because it can minimize investor uncertainty to invest their funds (Riyanto, 2008). Currently there are quite a number of companies listed on the Indonesia Stock Exchange divided into several sectors, one of which is Property and Real Estate Sector. This sector is the most important sector in the economy of every country, because it can be used as a benchmark in researching the health of the country's economy. Property and Real Estate industry is a sector that can be used as an indicator of a country's falling or developing economy. It can be seen that the number of companies in Property and Real Estate Sector in Indonesia is increasing, this shows that the country's economic system is developing. Investment activities carried out by investors can be categorized as activities that have a lot of risks and it is rarely possible to predict how the results will be obtained. In minimizing the possibility of a risk occurring in the future, investors really need information about the company. Information needed by shareholders can be obtained through an assessment of the development of the company's shares and financial statements. One of the benchmarks that can be used is by looking at the dividend payment policy owned by a company.

Dividend policy is part of the funding decision. The issue of dividend distribution is a discussion that is highlighted in a company and also financial managers. One of the company's objectives in terms of financial management is to maximize the prosperity of shareholders by giving most of the profits that have been obtained by the company in the form of dividends. But on the other hand, if the distribution of dividends is relatively high it will cause a reduction in management utility due to reduced funds in management's control, this is what management does not like. Each company has a different dividend policy in distributing dividends to shareholders. Policy regulations depend on the results of the general meeting of shareholders of each company. Each dividend policy will affect the value of a company to maintain sufficient funds to finance the company's growth in the future (Susanto, 2002). The dividend policy of a company is reflected in the dividend per share which is the amount of dividends that will be given to investors. The size of the distribution of dividends per share of a company will have an influence on the investment that investors will make. and on the other hand it will also affect the financial condition

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of a company. This study aims to determine and analyze effect of debt to equity and earning per share on dividend policy in Property and Real Estate Companies.

2. RESEARCH METHODS

This study uses the design of causal associative research. Causal associative research is research that aims to identify causal relationships between various variables according to (Erlina, 2008). Population is the total number of individuals to be studied who have at least one characteristic in common whose characteristics are to be estimated (Pandiangan et al., 2022). Population in this study is Property and Real Estate Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. Sampling technique is taken using a purposive sampling technique, namely selecting samples based on certain criteria (Widarjono, Agus. 2013). The number of observations in the study is 5 years multiplied by 11 companies according to the criteria, the observations in this study is 55. Data analysis in this study used panel data multiple regression analysis. Panel data multiple regression analysis is a combination of cross section data and time series data (Pandiangan et al., 2023). If each cross section unit has the same number of time series observations, it is called a balanced panel. Conversely, if the number of observations is different for each unit cross section, it is called an unbalanced panel. Panel data multiple regression analysis aims to measure the strength of the relationship between two or more variables and to show the direction of the relationship between the dependent variable and the independent variable used. The results of the regression analysis are in the form of regression coefficients for each independent variable. This coefficient is obtained by predicting the value of the dependent variable with an equation (Winarno, W. W. 2011).

3. RESULT

General Description

Property and Real Estate Sector is one of the industrial sectors listed on the Indonesia Stock Exchange. The current developments in Property and Real Estate Sector are so rapid and will be even greater in the future. This is due to the increasing population while the supply of land is fixed. Property and Real Estate Sector is a sector engaged in the construction of housing and settlements needed by the community. The housing sector involves many economic actors. Starting from developers, contractors, construction workers, investors, tenants, and financial institutions. The influence of the housing sector on the economy is also relatively large. The multiplier impact arising from activities in the housing sector is very diverse. Many economic activities have grown in line with the growth of the housing sector, ranging from the provision of raw materials to the steel industry. That is why

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in many countries, the authorities pay great attention to any developments in the housing sector. In 2021, the property sector can be said to be just starting to recover. Because he had just recovered, his growth is still very limited. This can be seen from the growth performance of the economic sector related to property. During the first 9 months of 2021, the real estate and new construction sectors grew by 2.4 percent (year on year) and 2.43 percent (year on year) respectively. Growth is still very limited because people's consumption has not recovered. This can be seen, during the first 9 months of 2021, new household consumption grew 1.5 percent. One of the factors that contributed to the growth of the property sector is support from the Government and Bank Indonesia. As we all know, since March 2021, the government has imposed incentives in the form of value-added tax borne by the government for every purchase of a landed house or apartment residential unit with a maximum selling price of Rp5 billion. The provision of value added tax incentives borne by the government is 100 percent of the value added tax payable on the delivery of landed houses or flats with a selling price of a maximum of Rp2 billion, equal to 50 percent of the value added tax payable on the delivery of landed houses or units residential flats with a selling price of over Rp2 to 5 billion. The government-borne value added tax incentive is given a maximum of one unit of property per person and may not be resold within one year.

Panel Data Multiple Regression Analysis Results:
Panel data multiple regression analysis aims to measure the strength of the relationship between two or more variables and to show the direction of the relationship between the dependent variable and the independent variable used.

Table 1. Panel Data Multiple Regression Analysis Results

Dependent Variable: Dividend Policy?				
Method: Pooled Least Squares				
Date: 03/19/23 Time: 13:05				
Sample: 2018 2022				
Included observations: 5				
Cross-sections included: 11				
Total pool (balanced) observations: 55				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.882541	25.40161	0.310317	0.7576
Debt to Equity?	114.2782	51.69114	2.210789	0.0317
Earning per Share?	0.171630	0.025521	6.724964	0.0000
R-squared	0.575192	Mean dependent var		37.65982
Adjusted R-squared	0.541207	S.D. Dependent var		86.95593

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S.E. Of regression	58.89893	Akaike info criterion	11.07603
Sum squared resid	173454.2	Schwarz criterion	11.25852
Log likelihood	-299.5908	Hannan-Quinn criter	11.14660
F-statistic	16.92507	Durbin-Watson stat	0.198569
Prob(F-statistic)	0.000000		

Source: Research Results (2023)

The results show that debt to equity has a positive and significant effect on dividend policy in Property and Real Estate Companies. An increase in debt can increase the company's ability to pay dividends, as long as the use of debt must always be accompanied by an increase in sales so that the profits generated by the company will also increase and have an impact on dividend payments which also increase. If the higher the debt is owned by the company, it will not affect dividend policy because the company prefers financing using its own capital rather than funds from outside parties, this is inseparable from efforts to increase the credibility of the company in the eyes of external parties because debt can provide high risk (Brigham and Houston, 2001). Earning per share has a positive and significant effect on dividend policy in Property and Real Estate Companies. The greater the level of the company's ability to generate profits per share, it will affect the amount of cash dividends distributed by the company to investors, and vice versa. Thus, profit is the main indicator of paying dividends. For investors, this ratio is needed to determine the company's ability to generate profits per share. This is based on the premise that the value of a company basically depends on the profit that the company has which is a source of funds in paying dividends (Warsono, 2003). Thus it can be concluded that the high or low value of earnings per share will affect the decision of investors in buying shares of a company. Investors will be more interested in buying these shares if the earning per share is higher. For companies in making dividend policy decisions, it is better to consider the earnings per share variable. This is because with high profitability, the company can also pay larger dividends to investors so that it can attract the attention of investors to invest in the company.

4. CONCLUSION AND SUGGESTION

The results show that debt to equity has a positive and significant effect on dividend policy in Property and Real Estate Companies. Earning per share has a positive and significant effect on dividend policy in Property and Real Estate Companies. From the results of the research, the suggestions for this research are:

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1. Investors: who will conduct transactions on the Indonesia Stock Exchange should pay attention to information regarding the distribution of dividends given by the company, in connection with the decision to make an investment.
The company is expected to distribute cash dividends with an amount that always increases or with a stable amount every year. This is done to increase the confidence of investors to invest their capital and motivate managers to work better so that agency conflicts that arise can be minimized.
3. Future research is expected to use a longer observation period.

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